HEARINGS

BEFORE THE

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES

OF THE

HOUSE OF REPRESENTATIVES

ON THE

BILLS RELATING TO MAINTAINING THE PARITY OF THE SILVER DOLLAR.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1901.

[H. R. 13099, Fifty-sixth Congress, second session. Report No. 2456.]

JANUARY 3, 1901.—Mr. HILL introduced the following bill; which was referred to the Committee on Coinage, Weights, and Measures and ordered to be printed.

JANUARY 24, 1901.—Reported with amendments, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed.

[Omit the part in brackets and insert the part printed in italics.]

A BILL to maintain the legal-tender silver dollar at parity with gold.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby [directed] *authorized* to coin the silver bullion in the Treasury, purchased under the Act of July fourteenth, eighteen hundred and ninety, into such denominations of subsidiary silver coin as he may deem necessary to meet public requirements, and thereafter, as public necessities may demand, to recoin silver dollars into subsidiary coin, *and so much of any Act as fixes a limit to the aggregate of subsidiary silver coin outstanding, and so much of any Act as directs the coinage of any portion of the bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, into standard silver dollars, is hereby repealed.*

The Secretary of the Treasury is hereby directed to maintain at all times at parity with gold the legal-tender silver dollars remaining outstanding; and to that end he is hereby [authorized] *directed* to exchange gold for legal-tender silver dollars when presented to the Treasury in the sum of five dollars or any multiple thereof, and all provisions of law for the *use or* maintenance of the reserve fund in the Treasury relating to United States notes are, *in the discretion of the Secretary of the Treasury*, hereby made applicable to the exchange of legal-tender silver dollars.

[House Report No. 2456, Fifty-sixth Congress, second session.]

TO MAINTAIN THE LEGAL-TENDER SILVER DOLLAR AT PARITY WITH GOLD.

JANUARY 24, 1901.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. HILL, from the Committee on Coinage, Weights, and Measures, submitted the following

REPORT.

[To accompany H. R. 13099.]

The Committee on Coinage, Weights, and Measures, to whom was referred House bill 13099, respectfully report that they have considered the same and recommend its adoption with the following amendments:

In line 3 strike out the word "directed" and insert in place thereof "authorized."

At the end of line 9, after the word "coin," add the following: "and so much of any act as fixes a limit to the aggregate of subsidiary silver coin outstanding, and so much of any act as directs the coinage of any portion of the bullion purchased under the act of July fourteenth, eighteen hundred and ninety, into standard silver dollars, is hereby repealed."

In line 13 strike out the word "authorized" and insert in place thereof the word "directed."

In line 15, after the word "the" and before "maintenance," insert "use or."

In line 2, page 2, after the word "are," insert "in the discretion of the Secretary of the Treasury."

The purpose of the act of March 14, 1900, was to establish the gold standard in the United States, and to that end it made the dollar consisting of 25.8 grains of gold nine-tenths fine the standard unit of value, and declared it to be the duty of the Secretary of the Treasury to maintain all forms of money at parity therewith, but it did not, aside from providing for the redemption of United States notes in gold, prescribe any method by which such parity should be maintained. The purpose of this measure is to remedy that defect so far as the legal-tender silver dollar is concerned.

It aims to do this in two ways—first by a gradual reduction of the quantity by recoinage into limited tender subsidiary coin, and second by exchangeability of the remainder, at the will of the holder, with gold.

Under the provisions of the act of March 14, when the bullion in the Treasury is all coined we shall have outstanding in subsidiary coin $100,000,000 and legal-tender silver dollars about $573,000,000.

It is the opinion of many that prudence dictates the melting down into bullion of much of this excessive volume of legal-tender silver and disposing of it by sale in the world's market, thus following the example set by Germany shortly after adopting the gold standard; but it should be remembered that Germany only pursued this course until, by the fall of silver to 95 cents an ounce, she became unwilling to accept any further loss, and is now, under recent legislation, recoining her entire remaining stock gradually into subsidiary coin, as is herein proposed.

There is no question but that the convenience of the people of this country would be served by materially increasing the volume of subsidiary coin, and considering the requirements of those parts of the country where the use of the silver dollar is preferred to its paper representative your committee are of the opinion that if the policy of coining the bullion into subsidiary coin is followed by the recoinage of silver dollars into subsidiary coin not many years would pass before the entire volume would be disposed of, so that it would cease to be a source of danger to the Treasury and become firmly fastened in circulation as change money among the people.

There would be little question about this if the issue of bank notes was limited to the denominations of $10 and over, thus giving the entire field of change money to coin and coin certificates.

Something of an idea of the comparative use of legal tender and subsidiary silver coin among the gold-standard nations is given by the following table:

JANUARY 1, 1900.

	Population.	Subsidiary.	Legal tender.	Per capita of subsidiary coin.	Per capita of legal-tender silver.
United States	76,000,000	$80,000,000	$563,000,000	$1.05	$7.38
Great Britain	40,700,000	111,900,000	None.	2.75	None.
Germany	52,300,000	122,800,000	85,600,000	2.35	1.63
France	38,500,000	59,300,000	361,900,000	1.54	9.40
Austria-Hungary	46,300,000	46,300,000	50,000,000	1.00	1.08
Australasia	4,500,000	6,100,000	None.	1.35	None.
Canada	5,500,000	5,000,000	None.	.90	None.
Denmark	2,300,000	5,600,000	None.	2.43	None.
Sweden	5,100,000	6,800,000	None.	1.33	None.
Switzerland	3,100,000	10,700,000	None.	3.45	None.

The recent legislation of Germany now provides for about $3.50 per capita. Great Britain already has $2.75. It was the opinion of Mr. Horace White, given at the hearing on this bill, that the United States could easily carry more than either, and that $4 per capita would be absorbed by our people and held in circulation. Under the law as it has been the Treasury Department has frequently been unable to supply the demand, and unless the stock on hand is used in this way purchases of more bullion for subsidiary coin will become necessary in the near future. Your committee believe that an ample supply of small-change money is not only necessary for the convenience of the people, but that it will be helpful to general business and at the same time tend to economical habits of expenditure.

With this policy entered upon now and judiciously followed, with the rapid growth of our population, it can be easily seen that two decades hence the silver problem will have solved itself.

In view of the enormous increase of gold production, it becomes wholly unnecessary to consider the effect of the proposed gradual change of full tender silver into limited tender.

So far as practical use is concerned, gold and greenbacks are the only legal tender now, only one in ten of the silver dollars being in circulation and the balance being represented by silver certificates, which are not of themselves a legal tender.

Long before the lessening of silver certificates would be felt in their use as lawful money in bank reserves the increased supply of gold and gold certificates will make them wholly unnecessary.

This increase in our gold stock for the past decade is as follows:

January 1—	
1891	$646,582,852
1892	664,275,335
1893	597,697,685
1894	627,293,201
1895	636,229,825
1896	599,597,964
1897	696,270,542
1898	925,100,000
1899	945,800,000
1900	1,020,200,000

And on January 1, 1901, the amount had increased to $1,099,184,997.

The second proposition included in this bill is to make the legal-tender silver dollars remaining outstanding from time to time exchangeable at the will of the holder for gold, when presented at the Treasury in sums of $5 or multiples thereof. The purpose is to thereby hold them at parity with gold under any and all circumstances. They have been issued by the Government as the equivalent of gold. They have paid debts due in gold and contracted on a gold basis. This maintenance of parity is not only a moral obligation resting upon the nation, but it is one which the Government can not evade, for whether exchangeable or not they must be accepted by the Treasury for all Government dues in lieu of gold.

To show how helpless the Government is, attention is called to the percentage of silver certificates received at the New York custom-house for the past ten years, and, to still further emphasize it, each year is divided into two periods, the first column showing the first eight months and the second the last four months or crop-moving period:

Year.	Per cent of all money.	
	First eight months.	Last four months.
1891	12.5	8.7
1892	10.1	8.2
1893	17.8	86.4
1894	62.8	80.8
1895	83.4	24.9
1896	43.3	85.4
1897	83.9	27.0
1898	20.2	11.4
1899	10.7	4.5
1900	15.9	8.8

Two things will be noticed: Frst, that in every year but one the average payment of silver certificates for customs was much less in the last four months than in the preceding eight, and the one exception only emphasizes the showing, as that period was controlled by the same causes which brought about the large inflow of 62.3 per cent of all moneys in silver certificates in 1894. The second noticeable fact is the excessive volume of silver payments in 1894, 1895, 1896, and 1897.

Another inference which may be fairly drawn from the table is that a failure of crops here, coupled with a demand for gold abroad, would send silver certificates and silver dollars in excessive amounts into the Treasury, and thus either imperil the maintenance of parity or compel the purchase of gold at a premium or an unnecessary issue of bonds at an inopportune time.

The conclusion is almost irresistible that the Government has no control of the question, and that it is far better to meet and prepare for it when all conditions are favorable rather than be overwhelmed by it when reverses come, as they surely will.

Under the act of March 14 we have two kinds of money—gold, with paper payable in gold, and silver, with paper payable in silver. Your committee are firmly of the opinion that as there is under that bill but one standard unit of value, no legal-tender dollar of the United States should be issued which is not exchangeable by the Government in accordance with that standard.

The nation has either had the benefit of the silver coinage and should not shirk the responsibility incurred therein, or it has made mistakes in legislation which it must now correct. In either case, and whichever way viewed, your committee believe that the honest, prudent, and, indeed, the safest course is to meet the situation squarely and put the silver dollar on an equal footing with the gold dollar and make it exchangeable therefor.

Your committee quote with pleasure the clear and courageous statement of the Secretary of the Treasury, Hon. Lyman J. Gage, as given in the hearing on this bill:

STATEMENT OF THE HON. LYMAN J. GAGE, SECRETARY OF THE TREASURY.

It seems to me that the question which is involved in this bill is comparatively simple. The law now provides by declaration for the maintenance of the parity between the silver money and the gold money. And there is also an avenue provided which tends to maintain that parity through governmental action. That avenue is one provided by the law, too, namely, that silver on the same basis as gold shall be receivable by the Government in the payment of all taxes and customs dues. Therefore there is a method through which the silver dollars may be kept equivalent in value to the gold dollars.

Now, because of the present stock of silver money, a large portion of which is absorbed in circulating among the people, the probabilities are that any returning volume of silver toward the centers, which will certainly set in, as Mr. White has described, in the time of dull trade, will find an avenue for practical redemption in this way. Bankers, finding themselves embarrassed, if they do find themselves embarrassed, at the centers with a surplus of silver as compared with gold, will cause it to be paid into the Treasury for excess taxes and customs dues and will retain their gold.

Now, why will they do that instead of paying gold or silver indiscriminately at such a time? I think the reason that they will make that discrimination is that the Government itself in its legislation seems to avoid the direct responsibility that rests upon it to maintain the parity. All discussions and all statements and all expres-

sions of desire by those who represent the Government to shuffle off upon the community the responsibility for silver affects the public mind with distrust.

We ought not to be squeamish about meeting the parity in a square, straightforward manner. It is thus discredited more than the facts warrant, and if you ask the people of the United States to have perfect faith in the parity of these two metals and to treat one with all the respect and confidence accorded to the other, then the Government of the United States, that is responsible for the situation as it is, itself must set the example.

Now, here is an illustration. The act of March 14 was passed. The House bill proposed to make the two metals exchangeable with each other at the Treasury. The Senate amended it. Why? That is the question that every financial man in the United States asks. Why? If you, the Government, are afraid, can you expect us to have more courage than you possess? Do you ask us to have confidence when you yourself will not lay down the basis of confidence? You complain all the time about the wicked money sharks and their discriminations against silver. They can and will answer: Cease to discriminate against it yourselves, and we will no longer discriminate.

Nothing can rise higher than its source, and if your confidence is not good and you will not take all the responsibilities of the parity between silver and gold, do not expect the public to take the risk. They will decline to do it. Therefore, as long as these conditions exist silver, when it accumulates at the money centers, will not be held for a time when it may be used and distributed again. The bankers will send it into the avenues of present redemption. The Government might just as well face that redemption at the front door as to delay until it must take it under the revenue laws at the back door.

If you increase confidence by the kind of an act here proposed you will show the country that it is the purpose of Congress and the Government to maintain an absolute parity and to take all risks, responsibilities, and burdens involved in so doing. When it appears to be the purpose, as I have said before, to avoid the burdens, it will be unfavorably interpreted every time naturally and I think properly so.

It will be noticed that it is not the intent of the bill to compel the exchange of silver for gold, but only of gold for silver. Neither does it provide for the exchange of gold for silver except under certain conditions, namely, when presented in the sum of $5 or any multiple thereof. The exchange contemplated is to insure the maintenance of parity of silver with the standard and not to compel the Treasury to exercise the functions of a bank and change denominations only. While this is now done as a convenience to the public, it should not be required by law.

Indeed, it would oftentimes be impossible for the Treasury to maintain at every subtreasury in the country each form of money in sufficient supply to do this. There is no law requiring the Treasury to exchange greenbacks for gold and should be none compelling the Treasury to exchange silver for gold. The Treasury carries too many of the burdens which properly belong to banks now, without forcing it to comply with this additional requirement.

To enable the Secretary to maintain parity by exchanging gold for silver the use of the reserve fund in the Treasury and any and all provisions of law for its use or maintenance are placed at his disposal. That fund consists of $150,000,000 in gold, and it is maintained by transfer of gold from the current funds of the Treasury by purchase of gold, or by the issue of bonds.

Under the wording of the bill exchangeability could be maintained by direct exchange from current funds or by use of the fund and from gold procured by purchase or bond issues. It does not provide that silver dollars when exchanged shall be held and treated in the same manner as United States notes are when redeemed under the act of March 14, 1900, but when placed in the current funds of the Treasury they may be used for any lawful purpose.

Your committee believe that the adoption of this bill will tend greatly to strengthening the act of March 14, 1900, and make more sure and certain the maintenance of the gold standard. They therefore recommend its passage with the amendments.

E. J. HILL.
J. H. SOUTHARD.
E. S. MINOR.
R. J. WATERS.
FRANCIS W. CUSHMAN.
THOMAS HEDGE.
J. D. BOWERSOCK.
H. S. BOUTELL.

I have some doubt as to the wisdom of that part of the bill authorizing the Secretary of the Treasury to coin the silver dollars into subsidiary coin. It is my judgment that it is best to leave this question to future legislation as may seem expedient. In all other respects I fully concur in bill and report.

THEO. OTJEN.

[House Report No. 2456, part 2, Fifty-sixth Congress, second session.]

TO MAINTAIN THE LEGAL-TENDER SILVER DOLLAR AT PARITY WITH GOLD.

JANUARY 29, 1901.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. LEVY, from the Committee on Coinage, Weights, and Measures, submitted the following

VIEWS.

[To accompany H. R. 13099.]

VIEWS OF MR. LEVY.

This bill was referred to the Committee on Coinage, Weights, and Measures, and after consideration and amendment reads as follows:

A BILL authorizing the Secretary of the Treasury to exchange gold coin for any pieces of money coined by the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever there shall be presented at the Treasury of the United States any pieces of money coined or issued by the United States of or exceeding the denomination of five dollars and demand made for gold coin in exchange therefor, the Secretary of the Treasury is hereby authorized and directed to make such exchange in gold coin of the United States equal in value to the face value of the pieces of money presented for exchange.

SEC. 2. That if in carrying out the provisions of this act it shall be expedient or necessary to maintain the gold reserve of one hundred and fifty million dollars, the Secretary of the Treasury is hereby authorized to issue bonds of the United States in accordance with and under the provisions of section two of the act of March fourteenth, nineteen hundred, entitled "An act to define and fix the standard of value," etc.

SEC. 3. That this act shall take effect on and after the date of its passage.

While concurring fully in the decision of the majority members of the Committee on Coinage, Weights, and Measures, expressed in their report on House bill 13099, that Congress should enact some law by which the parity between gold and silver shall be maintained, I beg to differ in their conclusions that the bills reported by them to the House afford the best method of attaining the desired object, in a manner

best calculated to meet the demands of our commercial life, as well as the exigencies of our present monetary situation.

The act of March 14, 1900, provided that the dollar consisting of twenty-five and eight-tenths grains of gold, nine-tenths fine, shall be the standard unit of value, and directed that the Secretary of the Treasury shall maintain at a parity value with this standard all forms of money issued or coined by the United States. While this act established the gold standard in the United States, it did not insure its maintenance, because it failed to prescribe a method by which the parity between gold and silver should be secured.

The method of maintaining this parity should be simple and comprehensive, and in my opinion should not involve the retirement of the silver dollars now in circulation. Empower the Secretary of the Treasury to exchange on demand gold coin for pieces of money of a designated denomination which may be presented at the Treasury, and, to allay any fear lest the gold reserve might be diminished or depleted by this method of exchange, authorize the Secretary of the Treasury to issue bonds to protect and maintain it when in his judgment it may be necessary to do so, and a complete, simple, and effective method will have been devised to maintain the parity intended by the act of March 14, 1900.

This method will insure the maintenance of the gold standard, because the holder of any piece of money coined by the United States of the denomination of five dollars, or of a higher denomination, may, by the simple act of presenting it at the Treasury and asking for gold, become the possessor of five dollars in gold. It will not be necessary for him to exert himself to the extent of going to the Treasury and presenting his piece of money, because under this proposed law the money in hand will be gold for all purposes, or the equal of gold, because it will be interchangeable with gold. How much gold will be drawn from the Treasury?

Mr. Horace White, of New York, in his remarks before the committee, said he did not believe that ten dollars in gold would be demanded in exchange for pieces presented, and this view, I believe, is concurred in by the Secretary of the Treasury, and must be concurred in by everyone who will give the subject a moment's thought.

This should dispose of the argument that the country would be flooded with gold bonds consequent upon the drain upon the reserve fund of the Treasury, which would be paying out gold for the silver presented. When it is further considered that at the present time silver is redeemed as the equivalent of gold when it is presented for public dues, this argument should fall entirely to the ground. A glance at the table of customs payments at New York during the past ten years will show the use of silver certificates and the amount actually accepted by the Government as the equivalent of gold when silver money and paper money was in financial disrepute. When the credit and financial standing of this Government was reestablished, when the disturbing fear of silver had been dispelled, these silver certificates sought their accustomed channel of use and gold certificates were again presented in the payment of customs dues.

Customs payments at New York.

Month.	Gold coin.	United States notes.	Treasury notes.	Gold certificates.	Silver certificates.
January, 1890	0.1	4.6	....	92.5	2.8
July	0.1	2.5	....	95.3	2.0
January, 1891	0.1	4.1	5.2	88.5	2.1
July	0.2	49.0	27.4	14.9	8.5
January, 1892	0.1	15.0	14.5	66.1	4.3
July	0.1	28.4	42.2	13.8	15.5
January, 1893	0.0	42.1	33.2	8.9	15.8
July	12.5	55.6	15.0	4.6	12.8
January, 1894	17.0	11.2	11.8	0.6	59.3
July	0.0	28.4	17.1	0.0	59.4
January, 1895	0.7	53.6	5.0	0.0	40.6
July	0.2	67.1	1.9	0.2	30.5
January, 1896	0.0	47.4	2.7	0.0	49.9
July	0.0	53.1	0.7	0.0	46.2
January, 1897	0.0	42.6	9.2	0.0	48.2
July	0.6	68.8	2.7	0.0	27.9
January, 1898	6.8	54.1	1.2	0.0	37.9
July	59.9	22.6	0.4	0.0	17.1
January, 1899	78.4	6.9	0.2	0.0	14.5
July	85.3	5.3	0.1	0.0	9.3
January, 1900	5.5	3.0	0.0	76.5	15.0
July	1.8	6.3	0.0	78.5	18.4
November	2.5	5.1	0.0	88.5	3.9

If it be further asked what quantity of silver will be presented by banks for exchange, I would reply, not more than the quantity of outstanding silver—silver in national banks—could be presented to the Treasury for redemption, and, as compared with the silver dollars coined and the silver certificates issued, consider the table below giving the amounts outstanding and held in national banks during the past seven years:

Silver in national banks.

Date.	Silver dollars.	Silver certificates.
December 19, 1893	$7,530,135	$34,776,253
May 4, 1894	7,489,931	41,580,654
December 19, 1894	5,954,778	29,743,446
May 7, 1895	7,245,537	28,519,277
December 13, 1895	6,984,382	25,878,328
May 7, 1896	7,285,043	31,512,287
October 6, 1896	6,721,871	28,057,695
December 15, 1897	7,509,247	31,752,596
May 5, 1898	8,100,544	35,316,796
December 1, 1898	8,012,695	32,700,654
April 5, 1899	8,246,929	32,193,899
June 30, 1899	8,361,974	32,578,638
December 2, 1899	7,569,649	26,356,766
February 13, 1900	8,798,952	34,132,389
April 26, 1900	9,053,551	44,049,035
June 29, 1900	9,236,232	44,437,981
September 5, 1900	8,782,306	45,243,559

The international advantages of this interchangeability of gold with silver must not be overlooked. The gold standard will be firmly established and we will be trading with our corresponding nations on the basis of a metallic medium as stable as their own. Trade will be attracted to our ports and we will reach and maintain the position which it is the destiny of this Republic to enjoy—the foremost commercial nation of the world.

I have not advocated the withdrawal from circulation of the silver dollar by recoining it into subsidiary coins. The silver dollar is at the present time as much a subsidiary coin as the half dollar was fifty years ago. I do not believe the 573,000,000 of silver dollars now in circu-

lation should be retired by recoinage. If they are made exchangeable for gold, they will be accepted everywhere as gold and be received in the payment of all debts, whether contracted or payable in gold or not. The per capita of subsidiary silver coins now in circulation is almost as large as is desirable. Perhaps an increase of 10 per cent may be advantageous, but for this purpose the bullion in the Treasury could be used, which would deplete that stock in a regular and judicious manner, and would not force the absorption of 573,000,000 of silver dollars, scattering them throughout the land in smaller pieces and diverting them into channels from which they can not readily be recalled if needed.

I can not see how general business will be helped by depriving it of a medium to which it has become accustomed, and for which it has found constant use, nor do I see how an increased per capita circulation of subsidiary coin will tend to economical habits of expenditure. If it would promote the lowering of prices, this end might be attained, for we could then supply our wants with one or more of the subsidiary coins, say half a dollar, where formerly we would have willingly parted with a dollar. But I do not think prices will be lowered or expenditures economized by increasing the amount of subsidiary coin any more than they will be raised and become extravagant by the continued circulation of the silver dollars. The sole reason for the retirement of the silver dollar is to get rid of it and substitute smaller silver coin. I do not believe the people want a stock of nearly six hundred and fifty millions of subsidiary coin, which is what they would have if this idea of the retirement of the silver dollar by recoinage were carried out.

The Philippines, Hawaii, and Porto Rico will easily absorb any surplus of silver dollars which we may have.

The primary object of this bill is to inspire confidence in the permanency of the gold standard, and I can not present a better or stronger argument for the enactment of such a measure than the statement of the Hon. Lyman J. Gage, made before this committee.

He said:

> Nothing can rise higher than its source, and if your confidence is not good and you will not take all the responsibilities of the parity between silver and gold, do not expect the public to take the risk. They will decline to do it. Therefore, as long as these conditions exist silver, when it accumulates at the money centers, will not be held for a time when it may be used and distributed again. The bankers will send it into the avenues of present redemption. The Government might just as well face that redemption at the front door as to delay until it must take it under the revenue laws at the back door.
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> If you increase confidence by the kind of an act here proposed you will show the country that it is the purpose of Congress and the Government to maintain an absolute parity and to take all risks, responsibilities, and burdens involved in so doing. When it appears to be the purpose, as I have said before, to avoid the burdens, it will be unfavorably interpreted every time naturally, and I think properly so.

Without dissenting from the views of the majority of the committee as to the desirability of the proposed legislation, I suggest that the Secretary is amply empowered to maintain the parity between gold and silver coins by House bill 13032, which provides him with a convenient method, all the authority necessary; protects the gold reserve, and does not disturb the present circulation of silver dollars, nor increase the amount of subsidiary coinage to unwieldly proportions. I submit this bill for the consideration of the House,

JEFFERSON M. LEVY.

[House Report No. 2456, part 3, Fifty-sixth Congress, second session.]

TO MAINTAIN THE LEGAL-TENDER SILVER DOLLAR AT PARITY WITH GOLD.

FEBRUARY 4, 1901.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. SHAFROTH, from the Committee on Coinage, Weights, and Measures, submitted the following as the

VIEWS OF THE MINORITY.

[To accompany H. R. 13099.]

The minority of the Committee on Coinage, Weights, and Measures dissent from the views of the majority expressed in their report upon the bill (H. R. 13099) to maintain the legal-tender silver dollar at parity with gold, and recommend that it do not pass.

The bill provides that the Secretary of the Treasury is "directed to exchange gold for legal-tender silver dollars when presented to the Treasury in sums of five dollars or any multiple thereof."

We object to the passage of this measure—

First. Because it will impose increased burdens upon the gold reserve of the Treasury.

To say that it will not is to deny the recognized principle of supply and demand. To add the 500,000,000 of silver dollars which now act as redemption money for the silver certificates and are not a charge upon the gold reserve to the moneys which are redeemable in gold must greatly increase the burdens upon the Treasury reserve.

The law now provides a gold reserve of $150,000,000. The only moneys which are now redeemable in gold are the United States notes, commonly called greenbacks, consisting of $346,681,016, and the Treasury notes issued under the Sherman act, consisting of $58,160,000, which were issued for purchases of silver and under a vicious Department ruling were made redeemable in gold, making a total charge upon the gold reserve of $404,841,016. To make the $504,690,508 of silver and silver certificates redeemable in gold will more than double the charges upon that reserve, and would necessitate doubling the same.

Would the Comptroller of the Currency permit a national bank, which has deposits sufficient to require a reserve of $100,000, to become liable for double the deposits without doubling that fund?

It can not be safe for a nation to increase its gold obligations without increasing its reserve.

Second. Because it will create a new endless chain upon the gold reserve of the Treasury.

The policy of the Government heretofore has been to diminish the obligations redeemable in gold, and thereby prevent runs upon the Treasury. The gold-standard advocates have unanimously contended that the greenbacks should be retired, so as to relieve the Government of the necessity and cost of maintaining a gold reserve. They contended that the Government should go out of the banking business. This measure is a reversal of that policy. It creates new obligations upon the reserve. It plunges the Government deeper into the banking business.

Third. Because it facilitates the exportation of gold.

By making the principal medium of exchange used by the people redeemable in gold, it becomes much easier for the exporter of gold to gather up obligations payable in that metal and present them to the Treasury for exchange. No other nation on earth facilitates the export of gold. The Bank of England, which is the exchequer of that Government, even raises the rate of discount upon all obligations in order to prevent gold from going abroad. The Bank of France, which is the treasury of that nation, often refuses to give gold for the sole purpose of creating a slight premium on that metal, and thereby impede its exportation. Why should we increase the means of getting gold from the Treasury for shipment abroad?

The scramble of the European nations at the present time for gold should demonstrate the necessity for legislation discouraging instead of encouraging the exportation of that metal.

Fourth. Because it will produce the destruction of silver dollars and silver certificates as money.

When silver dollars are made payable in gold they become simply promises to pay. What government would maintain promises to pay stamped upon as dear material as silver when they could be printed upon paper at no appreciable cost? Would it not be foolish for the nation to keep invested in promises to pay $250,000,000 (the bullion value of her silver dollars) when she could print them upon paper and save that amount? Nearly every witness that testified before the committee admitted that the measure would ultimately produce a retirement of the silver dollars and a sale of the same as bullion.

This is a new policy in the treatment of the precious metals. No nation on the face of the globe discredits its silver coins by making them simply promises to pay. No government redeems its silver in gold.

Why should this nation, which produces one-third of all the silver of the world, be the very first to strike down one of its own important industries? These facts will be used to justify the Secretary of the Treasury in melting the silver dollars as this law provides, and thus destroying $500,000,000 of full legal-tender money.

Fifth. Because it will depress the prices of all commodities and property.

This measure will make gold do all the work of basic money now done by both gold and silver. We can not thus increase the burdens upon gold without increasing the demand for the same.

Increased demand means increased value of the thing demanded. Increased value of gold means that it buys more of commodities and property, and that means the seller must yield up more of commodities

and property to obtain a given quantity of gold or money payable in that metal; that is, he must sell at a less price. Thus falling prices result. It is axiomatic that falling prices produce financial failures and panics and paralyze industry and affect every man, woman, and child in the world.

The increase in the world's production of gold is not sufficient to displace the silver stocks in existence. Statistics show that more than 50 per cent of the gold product is used in the arts or lost to commerce, which leaves only about $150,000,000 a year to supply the needs of all Christendom. That is less than 3 per cent of the gold stocks of the world, and is no more than the legitimate requirements of an increasing commerce. The amount thus lost to commerce often rises to 75 per cent or 80 per cent of the total product. Prosperity begets extravagance in ornaments, gold plate, gilding, etc., which causes double the consumption in the arts.

Sixth. It is impossible for silver dollars to go to a discount as long as they are limited in number as now provided by law, and hence there is no necessity for this legislation.

As long as the holders of silver dollars can use them in payment of debts and taxes they can not go to a discount. These uses constitute demands which, according to the Gresham law, if silver dollars should go to a discount, would fall entirely upon them.

These demands are enormous; they are the $600,000,000 of taxes collected annually by the National Government; the $500,000,000 of taxes collected by State, county, and municipal governments each year; the $10,000,000,000 of notes and bonds payable in lawful money; the $6,000,000,000 of deposits payable by banks; the $5,000,000,000 of thirty and sixty day paper payable to banks; the $10,000,000,000 to $15,000,000,000 of thirty, sixty, and ninety day accounts outstanding, and numerous other demands.

Who would part with silver dollars at a discount when they could be applied to so many uses at par? It is these demands ever increasing which prevent the silver dollars from going to a discount.

As it is impossible for silver dollars as now limited by law to depreciate in value, why should we run the hazards of making increased burdens upon the gold reserve, of creating a new endless chain upon the Treasury, of facilitating exports of gold, of annihilating silver and silver certificates as money, and of producing an era of falling prices?

For these reasons we maintain the measure should not pass.

EDWIN R. RIDGELY.
CHARLES F. COCHRAN.
JAMES M. GRIGGS.
JOHN WESLEY GAINES.
RODERICK D. SUTHERLAND.
JOHN F. WILSON.
JOHN F. SHAFROTH.

MAINTAINING THE PARITY OF THE SILVER DOLLAR.

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES,
HOUSE OF REPRESENTATIVES,
January 10, 1901.

The committee met at 10 o'clock a. m., Hon. James H. Southard in the chair.

The CHAIRMAN. Gentlemen, we have come together this morning more especially to consider two bills—House bill 13032, introduced by Mr. Levy, and House bill 13099, introduced by Mr. Hill. These bills are intended to accomplish, in a measure, the same purpose. We have invited several gentlemen of prominence to come here and give us their views relative to these measures, and we have received from some of them letters giving their reasons why they can not come and from others we have not received any reply.

Mr. M. L. Muhleman, the deputy assistant treasurer of the United States, writes that the illness of his second deputy makes it impossible for him to get away at this time. "I want to acknowledge the courtesy of your invitation, however, which I appreciate, not that I feel that I have anything that is sure to be valuable to the committee on the measures pending. I shall give them early attention, nevertheless."

Mr. Charles A. Conant acknowledges the invitation and regrets he can not be here. He says:

I feel that, as several other bills have been introduced into the House bearing on the coinage and currency system, I should prefer to give more mature examination to all of them before expressing an opinion to your committee on one or more of them.

We extended an invitation to Mr. Morris K. Jesup, of New York, president of the Chamber of Commerce, and we have a letter from the chairman of the finance committee of the New York Chamber of Commerce, which is as follows. It seems that Mr. Jesup referred his letter to the chairman of the finance committee. He says:

Mr. Morris K. Jesup, president of the Chamber of Commerce, has sent to me your brief letter to him, inclosing copies of bills H. R. 13099 and H. R. 13032 and an invitation to him to appear before your committee on Thursday, January 10, to give his views relative to the proposed legislation.

I have the honor to be chairman of the finance committee of the Chamber of Commerce, and this is the reason why your communication has been sent to me. I regret very much that our committee can not be represented at this hearing in Washington. It is a very busy season of the year for everyone engaged in business, and the time is so short that I can not get my committee together to act until after the hearing.

You may rest assured, however, that the members of the chamber of commerce, including my own committee, are heartily in favor of these two bills. We believe that the sooner any and all defects in the legislation of the previous session relating to the maintenance of the gold standard are removed the better it will be for the

country at large and for business in general; and we also feel that action in this direction should be taken now at the present session of Congress, rather than be delayed and acted upon at the next session of Congress, when another election is approaching. The marvelous development of the mercantile interests of this country now in progress demands, in our judgment, the serious attention of Congress, in order that the groundwork may be laid and the superstructure begun of a broad and comprehensive working system which will be adequate to the needs of the coming generations. And the first thing to be done, it seems to us, is to fix beyond all cavil and question the gold basis upon which this fabric of credit and finance shall rest.

In the judgment of the majority of the members of Congress the funding of the Government debt was decided upon in order to give increased facility for an increase of national bank circulation; but I fear that none of us realizes what lies before us in the way of expansion of business during the coming twenty-five years of this century's growth, and how quickly the vacuum thus created will be filled up, and we will once more find ourselves face to face with a need for currency at a time when a quick expansion of credit is absolutely necessary to prevent financial disaster and a monetary panic. The honorable Secretary of the Treasury in an address delivered recently in this city called serious attention to existing conditions and voiced very clearly the opinions which have been and which are now held by the great majority of the merchants and bankers of the New York Chamber of Commerce.

But in what I have said I have drifted from my subject, and have only said it because I wish to emphasize the opinion of our body that the proposed legislation for which this hearing is to be held meets with our most hearty approval, and to indicate in a very imperfect way what the future seems to demand at the hands of Congress.

I have the honor to remain, most respectfully, yours,

JOHN H. RHOADES.

We have with us Mr. Horace White, whom we all know and who comes here at the invitation of the committee, and from whom I know we will all be glad to hear.

Mr. LEVY. I would like to call your attention to an error, either a printer's error or a clerical error, in putting in the word "exceeding." I did not intend that in my bill.

The CHAIRMAN. That appears in line 5 of Mr. Levy's bill.

Mr. WHITE. What is the error?

Mr. LEVY. The word "exceeding."

Mr. HILL. The word "of" ought to be put in its place.

Mr. LEVY. It is not necessary at all.

Mr. WHITE. "Of the denomination," etc.

Mr. LEVY. Yes, sir; "of the denomination." The word "exceeding" ought to be out and the word "of" should be inserted.

The CHAIRMAN. It is apparent that there was some misprint or some other error.

Mr. WHITE. The word "of" should be inserted and the word "exceeding" should be omitted.

Mr. LEVY. Instead of the bill reading "exceeding the denomination" it should read "of the denomination."

STATEMENT OF MR. HORACE WHITE.

Mr. WHITE. I assume that no argument is expected from me about the desirability of having a gold standard firmly established. I understand that that is now universally accepted, or nearly so, and that the only question before the committee, and practically the only one before the country, is as to the means by which the Secretary of the Treasury shall maintain the gold standard.

A law was passed at the last session of Congress, the act of March 14, 1900, directing the Secretary of the Treasury to maintain parity between all kinds of money issued or coined by the United States, but the act gave him no means for maintaining parity and prescribed no

particular method in which it should be done. These two bills aim to provide the means and prescribe the method. The bill of Mr. Hill, No. 13099, which I have before me, says, first:

That the Secretary of the Treasury is hereby directed to coin the silver bullion in the Treasury, purchased under the act of July 14, 1890, into such denominations of subsidiary silver coin as he may deem necessary to meet the public requirement, and thereafter, as public necessities may demand, to recoin silver dollars into subsidiary coin.

That is not a necessary part of the measure—that is to say, it is not a necessary part of the effort to confirm the gold standard in this country—but I consider it a desirable part for this reason: It lessens the amount of silver that is to be taken care of. The existing law requires that the silver purchased under the Sherman Act of 1890 shall be coined into silver dollars, and, consequently, if there is a public demand for any more subsidiary coin than is now provided or at the command of the Treasury, it must be procured by the purchase of additional silver. This clause, I understand, is to take care of the silver already in the Treasury and to avoid the necessity of purchasing any more for subsidiary purposes. I think that is desirable.

The second clause of the act says that—

the Secretary of the Treasury is hereby directed to maintain at all times at parity with gold the legal-tender silver dollars remaining outstanding; and to that end he is hereby authorized to exchange gold for legal-tender silver dollars when presented to the Treasury in the sum of $5 or any multiple thereof, and all provisions of law for the maintenance of the reserve fund in the Treasury relating to United States notes are hereby made applicable to the exchange of legal-tender silver dollars.

Now, that clause shows on its face that it is intended simply to put the legal-tender silver dollar on the same basis as the greenback, so far as its redemption or exchange for gold is concerned. It goes on further and provides that "all provisions of law for the maintenance of the reserve fund in the Treasury"—that is to say, the sale of bonds in case of necessity—shall apply to the exchange of legal-tender silver dollars in the same way as the greenbacks. I think the passage of that law would cure every defect in the existing legislation to establish the gold standard.

Mr. Gaines. What is the defect?

Mr. White. There is no means provided for the Secretary of the Treasury to preserve the parity in case the silver dollars should become redundant and should fall below par.

Mr. Shafroth. Is there any difficulty with the parity now?

Mr. White. No, sir.

Mr. Shafroth. Then why do you estimate that there will be a redundancy?

Mr. White. Because it has happened twice before.

Mr. Shafroth. When?

Mr. White. Once at the close of the Arthur Administration and once during the second Cleveland Administration.

Mr. Shafroth. It did not in either event depreciate the silver bullion in any way?

Mr. White. No; in the first instance the Secretary of the Treasury went to New York and borrowed $20,000,000 in gold from the bankers to replenish his reserve, and in the second instance the Administration sold $261,000,000 of bonds for a like purpose.

Mr. Shafroth. That showed simply a shortage of gold instead of a superabundance of silver?

Mr. WHITE. Those are correlative or interdependent terms, the shortage of gold having been caused by the superabundance of silver.

Mr. SHAFROTH. An abundance of silver and a shortage of gold are correlative terms?

Mr. WHITE. Substantially so in the cases which I have cited.

Mr. SHAFROTH. I differ from you there, but I do not wish to interrupt your statement.

Mr. GAINES. I want to get at the defect in the present law, because it was supposed by its friends to cure every defect in our financial system.

Mr. WHITE. That was a mistake; it did not.

Mr. SHAFROTH. I would like to ask you a few questions. Will not the putting of the silver dollar on the same basis as gold simply make all the silver dollars mere promises to pay in gold?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. The same as the greenbacks?

Mr. WHITE. Yes, sir; silver is a metallic greenback and is worth intrinsically about 50 cents.

Mr. SHAFROTH. Now, if that is the case, what is the object of having silver at all when you can print the promise to pay on paper at no appreciable cost to the Government?

Mr. WHITE. No use whatever, except for subsidiary coin.

Mr. SHAFROTH. Then your theory is that the silver dollars now in the Treasury ought to be redeemed in gold and held there or sold by the Government?

Mr. WHITE. If I had my way I would sell them.

Mr. SHAFROTH. Then your theory is to empty into the Treasury the $500,000,000 of silver and then dump it upon the markets of the world as bullion?

Mr. WHITE. I should do it gradually; yes, sir.

Mr. HILL. That is the recoinage of the subsidiary coins?

Mr. WHITE. Yes, sir.

Mr. HILL. That is what this bill contemplates?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. Had you not better dump it all at once?

Mr. WHITE. I will not say all at once. I was going to say that I consider this purchase of silver and coinage of silver dollars to have been absolute waste; and if you get back half the money it cost, you will do well.

Mr. SHAFROTH. Do you not recognize that if you attempt to redeem the silver dollars in gold or if you attempt too largely to substitute greenbacks for them you are going to have the same old endless chain that we heard so much talk of in the past?

Mr. WHITE. No, sir.

Mr. SHAFROTH. Will there not be $500,000,000 more that must be met by the reserve fund?

Mr. WHITE. Not if you sell your silver.

Mr. SHAFROTH. But that means the retirement of $500,000,000 of currency, does it not?

Mr. WHITE. Yes; but you procure one-half of the amount in gold, which is a reserve of 50 per cent for the silver certificates.

Mr. SHAFROTH. But you retire $500,000,000 of the circulating medium because you will redeem them in a medium which already exists?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. Then your advocacy of this bill indorses the absolute annihilation of $500,000,000 of currency?

Mr. WHITE. No, sir.

Mr. SHAFROTH. I mean as currency; not as assets.

Mr. WHITE. That gold which I spoke of is to fill the vacuum.

Mr. SHAFROTH. But the gold currency is already in existence and you will abolish $500,000,000 of silver. Of course you will get a little gold, but the gold is already here, and that does not enlarge the currency.

Mr. WHITE. All the gold in the world is not here.

Mr. SHAFROTH. Is it contemplated that this silver shall be sold in the foreign markets?

Mr. WHITE. In any market.

Mr. SHAFROTH. Then your idea is to draw that much gold from the markets of the world?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. And lock up that much more gold in the Treasury?

Mr. WHITE. Yes, sir; or as much as is needed for the purpose.

Mr. HILL. On the balance of trade and the settlement of balances that money will go back, some of it, and some of it will remain here?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. Suppose the European nations sell all their silver, then they will draw some of our gold?

Mr. WHITE. I think they have already sold their silver.

Mr. HILL. They are doing it and have been doing it for three years.

Mr. WHITE. But in limited quantities.

Mr. SHAFROTH. Russia has been increasing her silver coinage in the last year. But, nevertheless, do you not think that the withdrawal and redemption of $500,000,000 of silver currency will produce a financial panic in this country?

Mr. WHITE. No; I do not.

Mr. SHAFROTH. Don't you think if the national banks were limited simply to gold for the redemption of their bank notes, instead of gold and silver, that it would be against their interests?

Mr. WHITE. No; I do not think so.

Mr. SHAFROTH. You think it is to the interest of a bank to have only one metallic money to redeem its obligations instead of having the alternative of two.

Mr. WHITE. Yes; I do.

Mr. SHAFROTH. Do you think it is easier to get one metallic money than two?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. Will you explain how it is easier to get one metallic money when there is about one billion dollars of it in this country instead of two, when the combined currencies amount to one billion five hundred million dollars?

Mr. WHITE. I think that silver is on exactly the same plane as nickel or copper. It is not the standard of value, and it makes very little difference whether currency that is not a part of the standard of value is of silver or copper or nickel or paper, and I think that all your argument applies just as well to copper and nickel and paper as to silver.

Mr. SHAFROTH. But the question was which would be the easier for the national banks to redeem their obligations in, both gold and silver or gold alone?

Mr. WHITE. I think all the banks in the country would prefer one metallic money.

Mr. GAINES. Why is it that all over the country the banks pay you silver dollars and silver certificates instead of gold in cashing checks?

Mr. WHITE. I suppose gold is considered a little safer, especially in the existing state of the law, when the Secretary of the Treasury has no means of redeeming the silver dollars in gold.

Mr. GAINES. In other words, they give the discredited money to the people and keep the "good money" themselves?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. Is that not a tendency to limit the free circulation of gold, and consequently would it not be easier for banks to get silver than gold?

Mr. WHITE. I do not see why it should be any easier.

Mr. SHAFROTH. If people have a tendency in the free exchange of money to retain the gold, would not that be a reason for a man, when redeeming money, to get silver instead of gold, because more people are willing to let go of silver than gold?

Mr. WHITE. No, sir; because under proper legislation it is just as easy to get gold as silver.

Mr. SHAFROTH. I thought you said a little while ago that banks paid silver certificates instead of gold because the gold was considered safer.

Mr. MINOR. It is, under present legislation.

Mr. SHAFROTH. There is no effort to disturb the present legislation at this time.

Mr. GAINES. I think there is, because this bill proposes to give us in law and fact the gold standard. That is the plan of this bill?

Mr. WHITE. Yes, sir.

Mr. GAINES. That is what you want?

Mr. WHITE. Yes, sir.

Mr. LEVY. Does the gentleman want to stop the coinage of silver entirely?

Mr. WHITE. Do I want to stop the coinage of silver?

Mr. LEVY. Yes, sir.

Mr. WHITE. Yes; I do.

Mr. LEVY. And only coin the subsidiary?

Mr. WHITE. Yes, sir.

Mr. LEVY. What does the bill provide for?

Mr. WHITE. I was reading the Hill bill.

Mr. LEVY. Does that provide for the discontinuance absolutely of the coinage of silver?

Mr. WHITE. Yes, sir; except for subsidiary coin.

Mr. LEVY. And that is the bill you want?

Mr. WHITE. I have not taken up the other bill yet.

Mr. LEVY. Has the Secretary of the Treasury recommended Mr. Hill's bill?

Mr. WHITE. I do not know whether he has or not. I think not. I think no specific bill has been recommended by the President or the Secretary, but the principle has been recommended of making the silver dollar exchangeable for gold.

Mr. RIDGELY. I have a question or two. Why do you recommend retaining silver for subsidiary coinage?

Mr. WHITE. Because, first, people are habituated to it; and, second, I think it is cheaper on the whole than to have little bits of paper, that wear out, and you have to reprint all the time. I think that silver halves and quarters and dimes are desirable for those reasons.

Mr. RIDGELY. Granting that the people desire metal rather than paper, could not we substitute a still more desirable and durable metal than silver, both as to the matter of convenience and durability?

Mr. WHITE. Yes, sir; but you would have to run counter to the habits of the people.

Mr. RIDGELY. Does not that apply to the dollar as well as to the other coin?

Mr. WHITE. No, sir; because it is heavy and inconvenient to handle?

Mr. RIDGELY. It is handled a great deal.

Mr. WHITE. You can only carry about five of them conveniently.

Mr. RIDGELY. I would much prefer, as a matter of economy, durability, and cleanliness, that a harder and cheaper metal than silver should be used for subsidiary purposes, and I believe that every argument you make will sustain my position; but I pass that.

There is another question. Do you not know that with this and other nations rapidly tending to the gold standard, forcing on gold the redemption of all kinds of debts, that the effect will be to rapidly multiply the bonded debt of this nation under the law passed last year?

Mr. WHITE. No; not at all.

Mr. RIDGELY. How can you escape it?

Mr. WHITE. As I said a little while ago, you have abundant resources to draw gold from the world.

Mr. RIDGELY. In that very statement you confess there is a struggle going on between all gold-standard nations; and as we are in the struggle this law and the existing law will open the door to increasing the bonded debt of the United States without limit.

Mr. WHITE. I suppose all the men in this room are struggling for gold all the time.

Mr. GAINES. They are just as anxious to struggle for silver.

Mr. RIDGELY. And you people are anticipating the struggle by opening the door for Government bonds without limit.

Mr. WHITE. Do you think the struggle is going on now?

Mr. RIDGELY. Yes, sir; because there is more feeling that men should have gold. Your very bill compels men to have gold.

Mr. WHITE. There is more gold to be had.

Mr. RIDGELY. But you have no assurance as to that. We have before us now from the chairman of the finance committee of the chamber of commerce of New York City a warning that a financial panic is pending or threatening in the near future.

Mr. WHITE. I did not understand the letter as saying so. I do not agree with you.

Mr. RIDGELY. There are a number of eminent financiers of the opinion that we are approaching another financial panic.

Mr. WHITE. I have not heard of them.

The CHAIRMAN. The clause to which Mr. Ridgely refers is doubtless this:

In the judgment of the majority of the members of Congress, the funding of the Government debts was decided upon in order to give increased facility for an increase

of national-bank circulation; but I fear that none of us realize what lies before us in the way of expansion of business during the coming twenty-five years of this country's growth, and how quickly the vacuum thus created will be filled up, and we will once more find ourselves face to face with a need for currency at a time when a quick expansion of credit is absolutely necessary to prevent financial disaster and a monetary panic.

Mr. RIDGELY. The language clearly says that we are approaching a time when you must increase our issues of promises to pay gold.

Mr. GAINES. Will you please tell the committee what the defect in the present law is?

Mr. WHITE. I stated in the beginning that the existing law required the Secretary of the Treasury to maintain the parity between all kinds of money issued or coined by the United States, but provided no means.

Mr. GAINES. Then to that extent the law is defective?

Mr. WHITE. Yes, sir.

Mr. GAINES. What produced the disparity between the two metals?

Mr. WHITE. There is no disparity now.

Mr. GAINES. But what will produce the disparity between our gold dollar and silver dollar?

Mr. WHITE. A failure of crops or serious business depression would do it, in my judgment.

Mr. GAINES. We had bad crops and good ones before we had any money coined at our mints.

Mr. WHITE. A depression of business which would cause the people to require less currency than they are now using would send the silver certificates and silver dollars into the Treasury. There would be an accumulation of them there, and eventually, if this condition continued, the Government revenues would consist of silver exclusively, and then it could not redeem the greenbacks in gold, or pay its interest in gold, and it could not maintain the parity.

Mr. GAINES. Just in proportion as you disuse either one of the coin dollars or deprive it of its use as a money you produce a disparity; do you not?

Mr. WHITE. I do not understand that.

Mr. GAINES. If you cease the use of gold as money, would not that produce a disparity between gold and silver?

Mr. WHITE. If you stopped the coinage of gold?

Mr. GAINES. Yes, sir, and started the coinage of silver; would not that produce a disparity between the two metals?

Mr. WHITE. I think it would.

Mr. GAINES. Then if you stop the coinage of silver, would not that produce a disparity, and a very large disparity?

Mr. WHITE. Not in case you can exchange one for the other in the markets.

Mr. GAINES. You said that if you stopped the coinage of gold and started the coinage of silver it would produce a disparity.

Mr. WHITE. If any circumstance should arise in the country that would cause the Government receipts to be in silver entirely, then there would be a disparity because there would be no gold available with which to redeem it.

Mr. GAINES. Then if the Government should pass a law that we should not grind any more wheat into flour, do you think the price of wheat would fall?

Mr. WHITE. It might. It would depend a good deal upon the foreign market.

Mr. GAINES. Doing this you would stop the use of wheat to that extent?

Mr. WHITE. You could not use it for flour any more.

Mr. GAINES. You stop the coinage of silver and——

Mr. WHITE. You did that long ago.

Mr. GAINES. I did not and never will.

Mr. WHITE. It was done by Congress, and it did not lead to disparity. The discontinuance of the coinage of silver is what enabled the Government to maintain parity between the two metals.

Mr. GAINES. And the very moment that we stopped its right to be ground into money, why, it fell. Now, then, if you restore that power of silver to be coined into full legal-tender dollars would it not remedy the trouble? In other words, remove the cause of the disease and you cure the disease.

Mr. WHITE. No; it would merely cause disparity between the two kinds of dollars and produce the very condition of things which the act of last session intended to do away with.

Mr. GAINES. Do you think that Congress has any power to stop the coinage of either gold or silver bullion into money?

Mr. WHITE. Of course I do, because it has already done so.

Mr. GAINES. That is no reason. Because a man's horse is stolen it is no reason why the man's other horse should be stolen. The Constitution uses the term "gold and silver." Is the word "and" conjunctive or disjunctive?

Mr. WHITE. The Constitution says that no State shall make anything but gold and silver legal tender; that is a prohibition.

Mr. GAINES. It is not. Is the word "and" conjunctive or disjunctive?

Mr. WHITE. Conjunctive.

Mr. GAINES. Then what right has the Government to untie the two?

Mr. WHITE. The Constitution does not say that the States should make one or the other or both of them legal tender.

Mr. GAINES. It does. That the States shall not make anything but "gold and silver"—not gold or silver—tender. I want to say that in framing that clause the framers of the Constitution undertook to put the disjunctive "or" between the words thus: "gold, silver, or copper," and also to use the term "specie," but after deliberation it was decided to use the conjunctive "and," and they dropped "copper," and Mr. Webster and a great many——

Mr. HILL. I do not think your illustration has anything to do with the case.

Mr. GAINES. But you so often quote from Webster that I am going to quote from him. He said that Congress had no power to stop the coinage of either metal, and that if it did have the power to stop the coinage of one it could stop coining both gold and silver and thus rob the people of any coin "money." Now, that is what this bill proposes to do, to rob the silver of its constitutional right of coinage into "money"—full legal-tender money.

Mr. WHITE. I have not Mr. Webster's saying before me. That clause of the Constitution is a prohibition. It provided that the States should make nothing but gold and silver legal tender. It did not say that they should make either of them such.

Mr. GAINES. It said both. But the States can, and can only, make both—not one, but both—gold and silver tender, and many of the States have done so by State statutes, and Senator Hoar exploited that sub-

ject very fully and demonstrated that the term "money" used in the constitutional convention was treated as meaning gold "and" silver, the money of the common law, as wicked gold and silver, and the words "twenty dollars," used in the constitutional convention—the word "dollars" there was treated as silver dollars, they being then our only dollar in circulation and our money unit.

The CHAIRMAN. Are we not getting a little away from the subject under consideration?

Mr. HILL. I do not think it is necessary to make reference to the country's policy, because I think it is a fixed policy of action, and the only purpose of this bill is to try to carry out that policy in the future. Briefly, my idea is that two things stand in the way: First, the greenbacks, which, in my judgment, are a greater danger than silver; and, second, silver. But the consensus of the country at present seems to be in favor of eliminating silver and then all possible danger of the greenbacks. The object of the bill is naturally to do that. The first purpose is to reduce the volume. I understand from your statement that your idea would be to sell the excess bullion and the excess silver and follow the policy of Germany. Is that correct?

Mr. WHITE. I put that as an economical proposition, but not as a political proposition.

Mr. HILL. If it was shown to you, and I think it will be shown later by Mr. Roberts, that the demand for subsidiary silver coin is generally very pressing upon the Treasury, would not you think it better policy at the present time if the danger could be ultimately eliminated and meanwhile safely guarded against by a gradual recoinage, as Germany is doing with her silver bullion and her silver dollars into subsidiary coin, to eliminate it in that way, rather than by a direct sale?

Mr. WHITE. I would, so far as the country could absorb the silver.

Mr. HILL. I think Mr. Roberts will show that by and by. That is the first proposition in the bill, and it was put there for this reason, that it was thought that it would be more acceptable to the country, to both sides, both political parties, to continue the silver in a form in which it would not be a burden upon the gold reserve by recoining it into subsidiary coins.

Mr. WHITE. Yes, sir.

Mr. HILL. The second proposition is to make the remaining amount of silver a direct gold obligation practically by making it exchangeable at the will of the holder for gold. And I want to state the reason why the bill was drawn in this precise form, "in the sum of five dollars or any multiple thereof;" because we did not believe the Government should break up money for the people—that is, to change its denominations only—and, further, that the possibility might arise, as the silver dollars became less and less in number, that it would be impossible for the Government to change silver dollars for gold; but the purpose of the law, the intent of the law, the wish of the people, was that they should be so treated as to be exchangeable for the maintenance of parity, and not in carrying out the banking functions of changing the form. That gets us down to this point where the purpose of the bill is to reduce the volume of silver by recoining it into subsidiary coins instead of selling it, and, in the second place, to maintain its parity by making it interchangeable. Is it best to attempt to maintain the parity of one metal when it is in excessive volume, continuing in use more than the people require?

Mr. WHITE. No; I think not.

Mr. HILL. That question, I take it, hits the proposition as to whether it is possible under any and all conditions to maintain two forms of currency at parity with each other without exchangeability.

Mr. GAINES. When they have the same legal right of coinage?

Mr. WHITE. The United States Treasury is a very capacious establishment. It can hold one, two, or three hundred millions of dollars, for an indefinite time, of a redundant currency. If it is redundant it will flow into the Treasury, and the Treasury can take care of one to three hundred millions of dollars if it has a surplus of revenue; but when the redundancy is beyond the amount the Treasury can carry, then there will be depreciation.

Mr. HILL. Of course that question eliminates the question of bonds?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. The law as it now stands authorizes and directs the Secretary of the Treasury, whenever this redundancy of silver exists or any depletion of the gold bullion takes place, to issue bonds for the purchase of gold.

Mr. WHITE. For the redemption of greenbacks solely.

Mr. SHAFROTH. That is true. Do you not recognize that money, such as silver, which is receivable for all dues of the United States and which is legal tender for the payment of all debts in the United States—debts aggregating between twenty and thirty billions of dollars—creates an enormous use for that money, and do you not recognize that that use and that demand for the silver dollar will always maintain that silver dollar at a parity with gold as long as the quantity of it is as limited as at present by law?

Mr. WHITE. And as long as the business conditions are the same as they are now.

Mr. SHAFROTH. There is no amount of silver in the vaults of the Treasury that could swell this amount to any large extent, and there is no law authorizing the Secretary of the Treasury to buy any more silver. The utmost limit that could be reached with the present quantity of silver held and issued by the Government could not exceed $560,000,000. And is there any chance of silver dollars limited in their quantity to that extent, and with these enormous demands upon them, going to a discount?

Mr. WHITE. As long as the business demand is sufficient to absorb it the parity will be maintained.

Mr. SHAFROTH. Can the contrary condition arise?

Mr. WHITE. Yes, sir; it has arisen twice.

Mr. SHAFROTH. And yet in each one of those instances you say that the silver dollar did not go to a discount?

Mr. WHITE. Because in the one case the Secretary of the Treasury went to New York and borrowed twenty millions in gold from the bankers, and in the second place I said that the Government sold two hundred and sixty-one millions of bonds to meet the emergency.

Mr. SHAFROTH. Why do you say that that was what saved it from going to a discount? How do you know it would have gone to a discount if the Secretary of the Treasury had not done that?

Mr. WHITE. It is a matter of opinion. The Secretary of the Treasury in each instance was convinced that we were on the eve of a panic.

Mr. SHAFROTH. Was not the gold reserve limited solely to the demands made upon it by greenbacks, and had silver anything to do

with it? Did not that borrowing in New York and the issuing of the bonds under the Cleveland Administration arise solely because the gold reserve, which was made for the redemption of greenbacks, was being depleted? Did not the drain on the gold by the greenbacks, and not the drain by silver dollars, threaten the reserve?

Mr. WHITE. It was the continued purchase of silver by the Treasury that caused the presentation of greenbacks for redemption in gold.

Mr. SHAFROTH. Why do you say that if these bonds had not been issued silver would have gone to a discount?

Mr. WHITE. That was the opinion of all the people experienced in money matters. It was the belief of everybody whose opinion is worth consideration. At one time the gold reserve was within forty-eight hours of entire depletion.

Mr. SHAFROTH. But that was because of the redemption of greenbacks.

Mr. HILL. What made the demand for the redemption?

Mr. SHAFROTH. The people wanted gold for export.

Mr. WHITE. Because the Government was piling up silver and issuing legal notes against it at the rate of four and a half millions of dollars a month. That frightened the financial world out of its wits.

Mr. SHAFROTH. There is no such condition as that existing now. There is no chance of an increase in the quantity of silver, according to present legislation.

Mr. WHITE. As long as the demand for silver for small transactions continues at its present rate there can not be any disparity.

Mr. SHAFROTH. With the volume of debt growing greater each year, will not the demand become greater upon any legal-tender money, and particularly silver money?

Mr. WHITE. As long as the present demand exists for small money, so long all this silver will be used. When for any reason—business depression, or war, or failure of crops—the demand is lessened, so that the Treasury can not absorb the remainder in the way of taxes, there will be disparity.

Mr. SHAFROTH. Is it a fact that this volume of debt is likely to increase?

Mr. WHITE. I do not understand.

Mr. SHAFROTH. It is likely to increase as current transactions increase. Over forty years ago there were not twenty billions of debt in the United States, and we undertook enterprises for which we had to assume obligations.

Mr. WHITE. That has nothing to do with the currency question.

Mr. SHAFROTH. If that silver is a legal tender for payment of debts, and if that silver were to go to a discount of 1 per cent, you admit that everybody would be trying to pay their debts with that money?

Mr. WHITE. Yes, sir.

Mr. SHAFROTH. That would make a demand for the payment of all those debts in silver, and that great demand would bring silver back to parity?

Mr. WHITE. It would not bring it back to parity.

Mr. SHAFROTH. Do you not recognize that the withdrawal or annihilation of five hundred millions of silver must of necessity affect prices of commodities and of all property in the United States, or, rather, in the world?

Mr. WHITE. Withdraw it?

Mr. SHAFROTH. Yes, sir; by reason of redeeming it in gold.

Mr. WHITE. By offering to redeem it I do not think that $10 would be presented for that purpose. It is at par now. Nobody could get more than par by drawing gold.

Mr. SHAFROTH. It would mean the ultimate retirement of silver?

Mr. WHITE. I said that if the power were put in my hands, and I did not have to regard political considerations, that would be the economic disposition I would make of it.

Mr. SHAFROTH. Do you not recognize, then, that the demand upon the gold reserve of five hundred millions of money, produced by making silver dollars promises to pay gold, is going to produce the endless chain that we have had so much difficulty with?

Mr. WHITE. No, sir.

Mr. LEVY. I would like to ask, why do you prefer Mr. Hill's bill, introduced by Mr. Hill on January 3, over the bill introduced by me on December 20. The bill that I propose does not interfere with the issuance of silver, but only protects and makes certain the foundation of the silver dollar and makes it interchangeable with gold. Now, you have said that there would be no demand upon the United States exceeding $10.

Mr. HILL. I do not think Mr. White expressed any opinion.

Mr. LEVY. As you will remember, Mr. Cleveland issued bonds to purchase gold, as he had the right, and I have put this in my bill: "That whenever in the judgment of the Secretary of the Treasury it shall be expedient or necessary to maintain the gold reserve of one hundred and fifty million dollars he is hereby authorized to issue bonds of the United States, redeemable at the option of the United States and bearing interest at the rate of two per centum per annum, in any amount sufficient to maintain the gold reserve." Do you not think that is better?

Mr. WHITE. There is no authority to use any part of that gold reserve to redeem silver dollars.

Mr. LEVY. In the first part of the bill it virtually says that; and when the reserve fund is in danger, then the Secretary of the Treasury has the power to issue bonds. It has never been before stated, but the distinguished gentleman who ran for President of the United States last winter, when he was in Washington, told me that if he was elected President of the United States he would find a way to pay in silver under the present law. Now, we certainly ought to give the Secretary of the Treasury the power to issue bonds to protect that reserve.

Mr. HILL. Do I understand that Mr. Bryan made that statement to you, Mr. Levy?

Mr. LEVY. Yes, sir.

Mr. COCHRAN. Why, certainly; there is no question as to that.

Mr. WHITE. The existing gold reserve can be used for only one purpose, and that is for the redemption of greenbacks. Now, you propose means for increasing the gold reserve, but I do not see any authority to use any of that increase for any other purpose.

Mr. LEVY. I do not believe myself that they would be called upon to pay one dollar. I believe the confidence of the United States would be restored. The great question in my mind is uncertainty at the present time. As a matter of fact, in this law now, if this is settled beyond peradventure and the Secretary of the Treasury has the power

to protect that reserve by issuing bonds, no person in the United States is going to call upon the United States for one dollar for silver, as we need the silver that is in circulation at present. I do not stop the coinage of silver under my bill.

Mr. GAINES. Do you need silver?

Mr. LEVY. Yes, sir.

Mr. GAINES. Why?

Mr. LEVY. It is to be virtually subsidiary coin, and I also provide in my bill, in the words that I think would please the people of the United States, for the coining of the old-fashioned gold dollar. We have this bullion, and the authority is given the Secretary of the Treasury to coin it into gold dollars whenever it is demanded. Let the poor man have a good gold dollar as well as anybody else.

Mr. COCHRAN. You say that as long as present conditions exist there is no likelihood that silver will be presented to the Treasury for redemption, and you think that in the event of what you call a panic gold might reach a premium?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. Is not that the precise condition that existed in London within the last three months?

Mr. WHITE. I was not aware of it.

Mr. COCHRAN. Is it not true that the Bank of England, in any emergency in which there is danger of excessive gold exports, advances the bank rate, thereby in effect placing a premium on gold and preventing its exportation?

Mr. WHITE. A premium on what?

Mr. COCHRAN. On gold—that is, rendering it more profitable to the trader to send away exchange bought at a premium than send away gold in discharging debts due to foreign creditors.

Mr. WHITE. Not a premium over silver.

Mr. COCHRAN. You misunderstand me. I say it is the policy of the British Government, when gold exports are threatened, to so manipulate the money and exchange market, through the operations of the Bank of England, as to, in effect, put a premium on gold.

Mr. WHITE. That is one way to put it. I think the case is just this: The Bank of England feels the necessity of having more gold and finds that the public will absorb some more notes, and for the purpose of getting that gold it will pay in its own notes a little more than the law requires it to pay, because the notes will stay out. This is the premium.

Mr. COCHRAN. You think, then, the policy of the British Government is to prevent gold exports, and that the bank so manipulates the exchanges as to produce a premium on gold.

Mr. WHITE. The British Government has nothing to do with it.

Mr. COCHRAN. What treasury or exchequer has the British Government except the Bank of England?

Mr. WHITE. The British Government is a depositor in the bank.

Mr. COCHRAN. Is it also the place for the issue of legal-tender notes? The Government does not issue legal tenders?

Mr. WHITE. The Government does not issue them.

Mr. COCHRAN. Does the bank collect the taxes?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. Does the bank disburse money the same as our Treasury does?

Mr. WHITE. Its own money.

Mr. COCHRAN. The Government disburses its own money?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. Is not the Bank of England in fact the treasury department of the British Government?

Mr. WHITE. No, sir.

Mr. COCHRAN. Now, then, you say that the advance in the rate of discount in times of monetary stringency and threatened gold exports is intended to prevent gold exports by practically placing a small premium on gold.

Mr. WHITE. I say this: In the first place, the rate of discount is not regulated by the Bank of England. The rate of discount is made in the street, and the bank takes notice of it by raising or lowering its own rate.

Mr. COCHRAN. The Bank of England is governed by the rate in the street?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. The rate in the street is not regulated by any bank?

Mr. WHITE. No, sir.

Mr. COCHRAN. You think that if the Bank of England should advance the rate 1 per cent to-day and to-morrow another, and keep on until it prohibited the outflow from the Bank of England, which is the British treasury, that that would not affect the rate in the street?

Mr. WHITE. Not necessarily.

Mr. COCHRAN. How long would it be required to do so?

Mr. WHITE. Never, unless the demand and supply for discount in the street caused it.

Mr. COCHRAN. Would not the cessation of loaning by the Bank of England have some effect?

Mr. WHITE. I say that the Bank of England has no power to raise the rate of discount 1 per cent or one-half or one-quarter of 1 per cent unless the demand and supply in the street enables it to do so.

Mr. COCHRAN. Would not the supply of the street be affected by a cessation of loans by the bank?

Mr. WHITE. No, sir; gold would come in from other quarters.

Mr. COCHRAN. Come from where?

Mr. WHITE. France and Germany and the United States.

Mr. COCHRAN. You think that would go in before there was an advance in rates?

Mr. WHITE. I mean that whenever there is a stringency for money, whatever may be the cause, it will come in from other countries in response to the rising interest rates.

Mr. COCHRAN. Then, if the Bank of England should cease to lend money the rate would go up and money would flow in?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. Why do you think it would be a national misfortune for this country to place a small premium on gold in order to minimize exports?

Mr. WHITE. For the same reason that existed during the civil war——

Mr. COCHRAN. What particular misfortune was visited upon the country by the disparity of value between gold and greenbacks during the war?

Mr. WHITE. It diminished the certainty that ought to exist in all business transactions.

Mr. COCHRAN. What injury did it visit upon the people?

Mr. WHITE. The chief injury fell upon the common people, because wages did not rise as fast as prices of goods rose. Money owners were able to protect themselves. The people who had to buy their living from day to day could not protect themselves?

Mr. GAINES. Did not the people above the Ohio River protect themselves?

Mr. COCHRAN. Are you aware that beginning with the outbreak of the war in 1861 the disparity in values, so far as it hurt anybody, hurt the owners of money and not the owners of property——

Mr. WHITE. The wage-earner was affected because the prices of commodities advanced more rapidly than his wages.

The CHAIRMAN. We do not want to curtail any examination, but we have three or four other gentlemen here whom we want to hear.

Mr. COCHRAN. I only have a few more questions, and it will not take very long. You say that if silver as compared to gold be redundant, then disparity will necessarily result?

Mr. WHITE. I said that the silver would flow into the Treasury and that its receipts would become more and more silver until finally they would be wholly silver, and that the Government would have no gold with which to meet its gold obligations.

Mr. COCHRAN. Are you familiar with the methods of the administration of the Bank of France?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. Has there ever occurred such a thing as a premium on gold over silver in the Bank of France?

Mr. WHITE. Yes, sir; several times.

Mr. COCHRAN. Has it been occasioned at any other time than that of war or revolution?

Mr. WHITE. Yes, sir; several times.

Mr. HILL. I understand that Mr. Roberts is to go to New York early this afternoon, and if there is no objection we might temporarily postpone Mr. White's examination and have Mr. Roberts make a statement to us.

Mr. WHITE. That will be perfectly satisfactory to me.

Mr. GAINES. Representative Clarke, of New Hampshire, died last night, and I think the House will adjourn in a short while.

Mr. HILL. I understand that the river and harbor bill will be considered under general debate.

Mr. GAINES. We might go on this morning. I hope there will be no disposition to curtail such expert witnesses.

The CHAIRMAN. We have three or four people here.

STATEMENT OF HON. LYMAN J. GAGE, SECRETARY OF THE TREASURY.

Mr. GAGE. It seems to me that the question which is involved in this bill is comparatively simple. The law now provides by declaration for the maintenance of the parity between the silver money and the gold money.

Mr. LEVY. What bill?

Mr. GAGE. The act of 1890 and the act of March 14, 1900. And there is also an avenue provided which tends to maintain that parity through governmental action. That avenue is one provided by the

law, too, namely, that silver on the same basis as gold shall be receivable by the Government in the payment of all taxes and customs dues. Therefore there is a method through which the silver dollars may be kept equivalent in value to the gold dollars. Now, because of the present stock of silver money, a large portion of which is absorbed in circulating among the people, the probabilities are that any returning volume of silver toward the centers, which will certainly set in, as Mr. White has described, in the time of dull trade, will find an avenue for practical redemption in this way.

Bankers finding themselves embarrassed, if they do find themselves embarrassed, at the centers with a surplus of silver as compared with gold will cause it to be paid into the Treasury for excise taxes and customs dues and will retain their gold. Now, why will they do that instead of paying gold or silver indiscriminately at such a time? I think the reason that they will make that discrimination is that the Government itself in its legislation seems to avoid the direct responsibility that rests upon it to maintain the parity. All discussions and all statements and all expressions of desire by those who represent the Government to shuffle off upon the community the responsibility for silver affects the public mind with distrust. We ought not to be squeamish about meeting the parity in a square, straightforward manner. It is thus discredited more than the facts warrant, and if you ask the people of the United States to have perfect faith in the parity of these two metals and to treat one with all the respect and confidence accorded to the other, then the Government of the United States, that is responsible for the situation as it is, itself must set the example.

Now, here is an illustration. The act of March 14 was passed. The House bill proposed to make the two metals exchangeable with each other at the Treasury. The Senate amended it. Why? That is the question that every financial man in the United States asks. Why? If you, the Government, are afraid, can you expect us to have more courage than you possess? Do you ask us to have confidence when you yourself will not lay down the basis of confidence? You complain all the time about the wicked money sharks and their discriminations against silver. They can and will answer: Cease to discriminate against it yourselves and we will no longer discriminate. Nothing can rise higher than its source, and if your confidence is not good, and you will not take all the responsibilities of the parity between silver and gold, do not expect the public to take the risk. They will decline to do it. Therefore as long as these conditions exist silver, when it accumulates at the money centers, will not be held until it may be used and distributed again.

The bankers will send it into the avenues of present redemption. The Government might just as well face that redemption at the front door as to delay until it must take it under the revenue laws at the back door. If you increase confidence by the kind of act here proposed you will show the country that it is the purpose of Congress and the Government to maintain an absolute parity and to take all risks, responsibilities, and burdens involved in so doing. When it appears to be its purpose, as I have said before, to avoid the burdens it will be unfavorably interpreted every time naturally and, I think, properly so.

Now, I do not see in this bill of Mr. Hill's anything that looks like retiring the silver or locking it up in the Treasury. The bill proposes to treat silver money just like greenbacks, if the avenue of redemption

through the payment of taxes is not large enough, as it probably is. Silver will probably be offered at the Treasury and gold requested in exchange. This will happen, perhaps, occasionally. The knowledge that it can be done will satisfy the minds of nearly everybody who has any desire to have it done; but it may occasionally happen. If it is done and gold is exchanged for it, then, according to this bill, it will be charged up to the redemption fund of $150,000,000, and it can be exchanged back again for any other moneys in the Treasury and put right back into the general fund. I see no real hazard in the proposition. My experience in life shows that every debtor who has financial responsibility upon him, be he banker or private citizen, who gives any symptom of a desire on his part to evade the responsibilities of his fair undertakings, hurts his credit. That is the law of life and it is a good law; it is the law of nature and it will always exist.

Mr. COCHRAN. The effect of this bill as it is drawn absolutely places the silver dollar on a plane of equality with the greenback, and nothing more?

Mr. GAGE. Yes, sir; that is what exists now for all the purposes of revenue.

Mr. COCHRAN. Now, if that be true, why should you continue the silver dollar in circulation at all?

Mr. GAGE. Because we have it. We have the burden, and we must carry it.

Mr. COCHRAN. Would it not be a wiser policy, under your view of the case, to do as Germany did, call the silver in, turn it into pig silver, and sell it for gold?

Mr. GAGE. That is a question entirely separate and distinct from this one.

Mr. COCHRAN. I think not. If the silver money is a menace to the stability of the currency and your scheme of gold redemption is to reduce it absolutely to the status of a token, common sense, sound policy, and economy command you to make that token as cheaply as possible and of the best and most practical material.

Mr. GAGE. You do not want to strain your credit?

Mr. COCHRAN. Would it not be better to make the token money as cheaply as possible and of the best material for practical use?

Mr. GAGE. I do not think so.

Mr. COCHRAN. Upon what theory do you predicate the policy of making token money at a cost of 50 per cent of its value?

Mr. GAGE. There is no demand.

Mr. COCHRAN. But this bill will reduce the silver money absolutely to tokens?

Mr. GAGE. No.

Mr. COCHRAN. At this time a silver dollar is a full legal tender for all purposes, is it not?

Mr. GAGE. It would be then.

Mr. COCHRAN. But it is not now redeemable in any other form of money by an express statute?

Mr. GAGE. It is redeemable in taxes.

Mr. COCHRAN. The silver dollar is the equivalent of a gold dollar, yet according to your theory 50 cents of its face value is a mere token at this time?

Mr. GAGE. Yes, sir; it is a dollar in law. It carries comparatively with gold half its value in itself. It is a token for the rest of it. It

is receivable by the Government for taxes of all kinds. This use being large and the volume of money limited the parity of the two has been maintained. That covers the whole case.

Mr. COCHRAN. It is to become, by expressed language of this bill, redeemable token money?

Mr. GAGE. I would call it exchangeable.

Mr. COCHRAN. Exchangeable in the same sense as the greenback is exchangeable money?

Mr. GAGE. Yes, sir.

Mr. COCHRAN. It carries in itself 50 cents of redemption power that is not available?

Mr. GAGE. Yes, sir.

Mr. COCHRAN. Then you would create a token dollar, redeemable in gold, thus locking up in the token full 50 per cent of the necessary sum to redeem it.

Mr. GAGE. That is locked up now.

Mr. COCHRAN. Do you not believe that from the standpoint of the advocates of the gold standard it would be sound economy to sell the silver dollars and put this 50 per cent into the fund for redemption purposes?

Mr. GAGE. If it could be done without disturbing the markets of the world, I think it would be more honest.

Mr. COCHRAN. Why would it disturb the markets of the world?

Mr. GAGE. If you undertake to put three or four hundred million ounces of silver on the markets you would disturb the equilibrium that exists—the relationships in value.

Mr. COCHRAN. At what time in the history of the country has there been a disparity between the gold and silver dollar?

Mr. GAGE. I do not tbink there has been any disparity.

Mr. COCHRAN. At what time has either gone to a premium in the money markets?

Mr. GAGE. I do not think there has been any time except when greenbacks were in a state of suspense and not redeemable at all.

Mr. COCHRAN. I do not refer to that period.

Mr. GAGE. Eliminating that period, there has been no time.

Mr. COCHRAN. During the panic of 1893 did not the silver dollars and greenbacks command a premium in the markets?

Mr. GAGE. Over bank checks.

Mr. COCHRAN. Over money?

Mr. GAGE. Over bank checks.

Mr. COCHRAN. Were not the bank checks redeemable in some sort of money at that time?

Mr. GAGE. Not in the state of suspense of 1893 and 1896.

Mr. COCHRAN. Does not the bank law provide that the banks shall maintain reserve funds for that purpose?

Mr. GAGE. No, sir.

Mr. COCHRAN. And the banks could go right on doing business?

Mr. GAGE. Yes, sir; unless you sued them and got judgment against them.

Mr. COCHRAN. The national-bank act does not provide for any redemption fund?

Mr. GAGE. No, sir; if they allow one of their notes to go to protest a receiver is put in charge of the bank.

Mr. COCHRAN. Do the banks redeem their own notes? Does the redemption of national-bank notes take place at the bank at all?

Mr. GAGE. Not unless they are in the vicinity.

Mr. COCHRAN. What would be the objection to changing the national-bank law so as to throw the burden of redemption of the notes in gold directly on the banks?

Mr. GAGE. When the Government will redeem all its obligations that are legal tender in gold and maintain them at a strict parity, it would be no hardship at all to make the change you suggest, but to throw the burden upon the banks and compel them to take a risk and responsibility that the Government will not take concerning its own obligations is wrong.

Mr. COCHRAN. You regard the silver dollar as an obligation of the Government?

Mr. GAGE. I do; a moral obligation, and substantially now a legal one.

Mr. COCHRAN. It was not so regarded by anyone when the coinage act of 1878 was passed.

Mr. GAGE. I am not fully aware, but I should think not.

Mr. COCHRAN. At what period after the enactment of that law did this moral obligation arise?

Mr. GAGE. When it was recognized that a dangerous course had been entered upon, one affecting the commercial and personal interests of the people, over whom the Government exerts a control, and such a policy was persisted in by law, the Government assumed a moral responsibility for the consequences, which I think it, representing all the people, should meet.

Mr. COCHRAN. That view of the case, however, first found its expression in the largest centers and more particularly in financial institutions?

Mr. GAGE. I think it did; that is where the symptoms first appeared.

Mr. COCHRAN. I said "view," not "symptom."

Mr. GAGE. That is where that view first appeared. I will correct my answer.

Mr. COCHRAN. After the enactment of the law of 1878 there arose in the country a demand for gold as the only money of the Government?

Mr. GAGE. Yes, sir.

Mr. COCHRAN. It originated in banking circles?

Mr. GAGE. It found the largest expression there. It is hard to tell where it originated.

Mr. COCHRAN. Did not this discrimination tend to exaggerate the value of gold and depreciate the value of silver as money of redemption?

Mr. GAGE. It did not, but it might have tended in that direction.

Mr. COCHRAN. If there are two funds available for redemption purposes and the whole burden of redemption is thrown on one, does it not necessarily increase the demand on that particular redemption fund?

Mr. GAGE. It depends how large it is.

Mr. COCHRAN. If two things bear the strain and one is taken away, is not the strain on the remaining one thereby increased? Was not the inevitable result of this demand for the use of only gold as money of redemption to increase the demand for gold?

Mr. GAGE. I should say that it operated in that direction.

Mr. COCHRAN. Did it not correspondingly tend to create a disparity between the relative value of the metals?

Mr. GAGE. I think it did tend in that direction.

Mr. COCHRAN. Then the policy of the Government, advised by the bankers, has been such as to necessarily tend in the direction of the creation of a disparity between gold and silver?

Mr. GAGE. Quite the contrary. The action of the Government has been such as to tend to overcome the tendency to a disparity such as you suggest.

Mr. COCHRAN. Is it true that during Mr. Cleveland's first Administration, when Mr. Manning was Secretary of the Treasury, a demand was made for the redemption of gold notes in gold and that it was turned down by Mr. Manning?

Mr. GAGE. I do not know.

Mr. LEVY. Mr. Secretary, I indorse your views thoroughly, but I wish you would state the reasons why you indorse the Hill bill. I did not know you indorsed both bills.

Mr. GAGE. I said that I was giving my attention now to the bill introduced by Mr. Hill.

Mr. SHAFROTH. The present gold reserve for the purpose of redeeming the three hundred and forty-six millions of greenbacks is $150,000,000?

Mr. GAGE. That is correct.

Mr. SHAFROTH. If the $500,000,000 of silver should be made promises to pay gold, will it not require a larger redemption fund?

Mr. GAGE. That remains to be seen. I do not think it would require a materially larger redemption fund.

Mr. SHAFROTH. Do you think there will be any difference, when silver becomes a mere promise to pay, whether a silver certificate or a greenback is presented to the Treasury for redemption?

Mr. GAGE. No, sir.

Mr. SHAFROTH. If it takes a hundred and fifty millions of gold to provide a reserve for three hundred and forty-six millions of greenbacks, will it not take $250,000,000 reserve fund to provide for both?

Mr. GAGE. No.

Mr. SHAFROTH. Why?

Mr. GAGE. The people of the United States would rather have the gold in the Treasury and its paper representative in their pockets as long as the Government will keep its credit undoubted. No doubt there will be occasional requirements for gold that the community will be obliged to meet. That need for gold is for settling foreign balances, and when that need comes it is just as legitimate a need as it is to have money to pay your grocery bills, and it ought to be met without friction, doubt, uncertainty, fear, or disaster. In my opinion $150,000,000 reserve in the Treasury is enough to meet any calls for redemption of the obligation or for the exchange of silver for gold to meet foreign balances and that the power resting now in the Secretary of the Treasury to sell bonds is sufficient to protect fully the Treasury. In no ordinary movement would the Treasury reserve fund be impaired more than fifty or sixty million dollars, and with the power resting in the Secretary to sell bonds if the redemption fund becomes impaired, the $150,000,000 is ample to all present appearances and, in my judgment, will remain ample.

Mr. SHAFROTH. You base it largely upon the right of the Secretary to keep that $150,000,000 intact by the sale of bonds?

Mr. GAGE. Yes, sir.

Mr. SHAFROTH. Then it is not important to keep a reserve of $150,000,000?

Mr. GAGE. You want enough so there will be no doubt in the public mind.

Mr. SHAFROTH. But we have the power and it is made mandatory to sell bonds to replenish the reserve.

Mr. GAGE. That is a supplemental power and reenforces the other.

Mr. SHAFROTH. You admit, then, that if you make the $500,000,000 of silver redeemable in gold that you do increase the demand upon the gold of the world to that extent, do you not?

Mr. GAGE. No, sir.

Mr. SHAFROTH. Do you not do it as much as you would if you issued $500,000,000 of greenbacks?

Mr. GAGE. No, sir.

Mr. SHAFROTH. Wherein is the distinction?

Mr. GAGE. You mean when you issue greenbacks?

Mr. SHAFROTH. Yes, sir.

Mr. GAGE. If you issue greenbacks, you will displace an equal amount of the circulating money, probably gold, and if you force them into circulation, and that is the only way the Government has to get rid of them, you will inflate prices—you will destroy faith and confidence in Government reserves.

Mr. COCHRAN. Is the rest of the world short of gold now?

Mr. GAGE. Not any shorter now than usually. There is never enough. The world always wants "more."

Mr. COCHRAN. That is what I thought.

Mr. SHAFROTH. Upon that question, do you not think that the natural result of making silver dollars redeemable in gold would be the substitution of paper for them? If they become promises to pay gold, will it not be absurd for the Government to have $250,000,000 of an investment in currency when they may be written upon paper, which would cost the Government nothing?

Mr. GAGE. The Government credit would be exposed $250,000,000 more than now.

Mr. SHAFROTH. No, not as to currency. It would have, as a matter of fact, $250,000,000 of assets. If the silver dollars are sold, does it not make that much more of an asset in the Treasury?

Mr. GAGE. If you keep the gold on hand, yes; but assets in the shape of river and harbor improvements are not the kind the Government should have with which to meet its liabilities. If the Government should sell the silver and put the proceeds of it as an asset in the Treasury, and then issue $500,000,000 in greenbacks, I think it would be in substantially the same theoretical financial position as it is now, with a great improvement in the character of the assets held. The assets would then be gold. They are now silver.

Mr. SHAFROTH. Would it be necessary when we have a gold reserve and the right to issue bonds to maintain it?

Mr. GAGE. Yes, sir.

Mr. SHAFROTH. Do you not recognize that the destroying of the full legal-tender power of silver and making it a mere promise to pay will affect prices of all commodities and of all property? Compared to the

world's volume it is small, but, nevertheless, will it not in your judgment affect prices?

Mr. GAGE. The proposition is not to change in any respect the legal tender quality of the silver dollar. The effect of prices on silver money or its representative has been felt and there is nothing in the measure now contemplated to affect that question that I can see.

Mr. SHAFROTH. You think we can increase the burden on gold without increasing its value?

Mr. GAGE. I do not think it would increase the burden.

Mr. SHAFROTH. Do you not think the redeemability in gold of $500,000,000 of any form of promises would make a burden upon gold?

Mr. GAGE. I do not think so. I will tell you. You have the burden now. Let us suppose that I have a million dollars of silver certificates. I go to the Treasury and say, "I would like gold for this. I want to export a million dollars in gold," and the Secretary of the Treasury says, "No; that money goes on its own merits; that money is standard money; it is legal tender; it has the sanction of the Government, and it is all right. No; we will not do it." What will I do? If I am in business, I will intercept $1,000,000 of gold that is on the way from taxpayers into the Treasury, and I will put in their hands this $1,000,000 of silver certificates, and I will take from them the gold. Thus what the Government sought to avoid when it refused to give me the gold it was obliged to do substantially when offered for taxes. That went on in 1893 and 1896.

Mr. SHAFROTH. There is no doubt about that, but in that event the gold is not obtained from the Government. But I want to call your attention to this fact: Is it not a fact that people generally do not pay their taxes to the Government in gold and consequently they can not intercept it?

Mr. GAGE. They are paying the taxes generally in gold now. Substantially all the customs dues are paid in gold. They are paying all the internal revenue in bank checks, on which you can get gold.

Mr. SHAFROTH. Is it not in checks and not in gold?

Mr. GAGE. The checks are just as good as gold; you can get gold on them.

Mr. RIDGELY. If this bill shall be passed and the Government clearly obligates itself to redeem silver dollars and all other forms of its issues in gold, will you then support a law to compel the national banks to redeem all of their obligations in gold?

Mr. GAGE. Yes, sir.

Mr. RIDGELY. You recommend such legislation?

Mr. GAGE. It would be unobjectionable.

Mr. COCHRAN. You say that the effect of substituting for the silver the paper promises to pay would be to add to the burdens of the Treasury?

Mr. GAGE. I said that if you increased the credit issues of the Government by the difference between the value of the silver bullion on hand and the face of the silver certificates, you would get an increased demand upon the Treasury for gold.

Mr. HILL. As to the character of exchange, would you think it wise in legislating on the subject to make indiscriminate exchange, which would enable people to go to the Treasury and demand the breaking up of money into different denominations?

Mr. GAGE. No, sir.

Mr. GAINES. What effect has the making of gold contracts upon the parity between the two metals?

Mr. GAGE. I do not think it has had much effect. I think that gold contracts would substantially cease if this doubt that does exist in the public mind as to the final definite policy of the Government was removed. If that was out of the way, I think gold contracts would cease. I do not think there are very many of them.

Mr. GAINES. There is an immense number now.

Mr. GAGE. I was in the banking business for a great many years, and I never saw one.

Mr. GAINES. They do exist. Just to the extent that we make a gold contract—say for $50,000 or any other amount—that deprives silver from settling that debt.

Mr. GAGE. Yes, sir.

Mr. GAINES. Now, just to the extent that we increase the number of gold contracts, does not it to that extent deprive silver of its money use and superinduce by a private contract a disparity, the very thing that is contrary to the policy of the Government, expressed by statute?

Mr. GAGE. I think it tends in that direction.

Mr. GAINES. Then the gold contracts are contrary to the express public policy?

Mr. GAGE. I am not a judge to determine that question.

Mr. GAINES. You agree that it does superinduce a disparity?

Mr. GAGE. I agree that it tends in that direction.

Mr. HILL. Do you see any objection to making gold certificates legal tenders?

Mr. GAGE. No; except we do not want too many things legal tender.

(The committee took a recess until 1 o'clock p. m.)

AFTER RECESS.

STATEMENT OF MR. HORACE WHITE—Continued.

Mr. COCHRAN. Your last observation before the suspension of your examination was that occasionally in France a premium on gold has been created by monetary conditions?

Mr. WHITE. Well, I did not say by monetary conditions. I said a slight premium on gold had existed at different times.

Mr. COCHRAN. I will ask you if the peculiar monetary conditions did not produce that premium?

Mr. WHITE. I think it was produced by the Bank of France in order to make a profit. I will tell you how. A certain demand for gold springs up for export, and a man who wants to export it draws a check on the Bank of France and asks for gold. The bank says, "We think you are exporting too much gold; therefore we will charge you a premium for it, or else we will pay you in silver." Then he asks how much they charge for the gold, and they say, perhaps, one-quarter per cent. Then he makes a computation whether it will cost him more to collect that gold out of the circulation of the country than one-quarter per cent; and if it will cost him more, he will pay that premium to the Bank of France. I think that the bank takes the opportunity, when it can, to make a profit for itself.

Mr. COCHRAN. When this premium on gold is thus created by the Bank of France is not the Bank of France acting as treasurer of the French Government?

Mr. WHITE. Not in that particular.

Mr. COCHRAN. It is the treasurer?

Mr. WHITE. It receives the Government's deposits. The French Government has a treasury of its own, but the bank receives the deposits of the Government.

Mr. COCHRAN. It is the financial agent of the Government?

Mr. WHITE. When the Government makes temporary loans or requires advances it borrows from the bank or through the bank.

Mr. COCHRAN. Has the French Government or the English Government any treasury department in the sense we have one, segregated from the great banks, the Bank of France and the Bank of England?

Mr. WHITE. Yes; it has.

Mr. COCHRAN. It would be very long to go into that. What function does the secretary of the treasury in England perform? I presume we will have to go into it, anyhow.

Mr. WHITE. He manages the finances, and he is called the chancellor of the exchequer.

Mr. COCHRAN. What function does the bank perform in managing the national finances?

Mr. WHITE. The receiving of the Government moneys and paying them out, and paying interest on the public debt when it matures, the Government furnishing the money for that purpose.

Mr. COCHRAN. And to issue the legal-tender paper money of the country?

Mr. WHITE. Well, it is allowed to issue a certain amount.

Mr. COCHRAN. It does issue all the legal-tender money that is issued in the country?

Mr. WHITE. It issues all legal-tender paper.

Mr. COCHRAN. And it coins all the money?

Mr. WHITE. It does not coin any money.

Mr. COCHRAN. It is the department in which it is coined?

Mr. WHITE. No, sir; the money is coined at the British mint.

Mr. COCHRAN. The gold is received at the Bank of England just as it is received at our mint, is it not?

Mr. WHITE. It is received at tbe rate of £3 17s. 9d. per ounce——

Mr. COCHRAN. By the bank—it is received by the bank at that price?

Mr. WHITE. By the bank at that price.

Mr. COCHRAN. And the physical coining takes place at a manufactory called the mint?

Mr. WHITE. Yes; and the mint coins each ounce into £3 17s. 10½d., the one and a half penny is allowed to the bank for its trouble and for interest on the time required for coinage.

Mr. COCHRAN. Then, as to the collection and expenditure of the revenues, as to the issue of the legal-tender money, and as to the reception of specie to be coined into money, the Bank of England performs the business performed under our Government by the Treasury Department?

Mr. WHITE. No; it does not collect the money.

Mr. COCHRAN. It receives it?

Mr. WHITE. It receives it on deposit.

Mr. COCHRAN. The Treasury here does not collect money, does it?

Mr. WHITE. It does through its agents.

Mr. COCHRAN. Does not the English Government collect through its agents?

Mr. WHITE. Yes; but not the bank. The bank does not collect it.

Mr. COCHRAN. Does not the Bank of England have as much to do with the physical collection of the revenues as the Treasury Department here with the physical collection of its revenues?

Mr. WHITE. Not at all.

Mr. COCHRAN. What part of the revenues here are collected by the United States Treasury?

Mr. WHITE. The customs and internal revenues.

Mr. COCHRAN. At the Treasury here?

Mr. WHITE. No; by the officers of the Treasury.

Mr. COCHRAN. Then it is turned into the Treasury?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. In England it is collected by the officers of the Government?

Mr. WHITE. Yes.

Mr. COCHRAN. Who turn it into the bank?

Mr. WHITE. Yes.

Mr. COCHRAN. So, it is precisely the same in effect?

Mr. WHITE. No.

Mr. COCHRAN. Well, I do not see the difference.

Mr. WHITE. The collectors in England are not the officers of the bank, but the officers of the Government.

Mr. COCHRAN. There is that distinction—a distinction without a difference, I think. Now, regarding the occasionally paid premium for gold in France by those requiring it for export, that premium arises from the condition of international exchanges which makes it more profitable to pay foreign balances in gold than in exchange, does it not?

Mr. WHITE. I said a while ago I thought the premium was caused by the balance of trade.

Mr. COCHRAN. Just as the demand for gold on our Treasury was created by the adverse balance of trade in 1893 and 1894?

Mr. WHITE. Well, I think there were other causes entering into that particular demand.

Mr. COCHRAN. As a matter of fact, however, certain New York gold exporters—I can not be sure of calling the names right, but you can correct me—Lazard and——

Mr. WHITE. Lazard Freres.

Mr. COCHRAN. This house and others engage particularly, at certain times, in the export of specie?

Mr. WHITE. Yes, sir.

Mr. COCHRAN. There is another one particularly prominent in this line of business?

Mr. HILL. Heidelbach, Ickelheimer & Co.

Mr. WHITE. Also Goldman, Sachs & Co.

Mr. COCHRAN. These houses are conspicuous in the trade, I believe. I am glad this amuses my friend [referring to Mr. Hill, who smiled], because I would like to amuse as well as instruct him. Now, then, laying aside other causes, which, in your opinion, caused the demand for gold in 1893 and 1894, one of the great causes of it was the demand for gold for export, was it not?

Mr. WHITE. Well, now, I am not sure whether it was or not.

Mr. COCHRAN. Are you sure the balance of trade was against us at that time?

Mr. WHITE. I am not.

Mr. COCHRAN. Do the published statistics show it?

Mr. WHITE. I do not know; I have not looked at them.

Mr. COCHRAN. Is it true that at that time there was a peculiar stringency of the money market abroad, caused by anterior events, notably the failure of the Baring Brothers, the Australian bank failures, and other complications?

Mr. WHITE. No, sir; I do not think there was a stringency abroad in 1893. I think the effects of the Baring trouble of 1890 had passed away.

Mr. COCHRAN. You think, then, there was no demand upon our hoard of gold on account of the exactions of foreign creditors in 1893 and 1894?

Mr. WHITE. I say I am not aware of it. I do not say there was none, but I have not looked into it and I do not know.

Mr. COCHRAN. Was the subject treated that way generally by financial authorities and those who had to do with the management of the Treasury?

Mr. WHITE. I think not.

Mr. COCHRAN. They examined into it somewhat, did they not?

Mr. WHITE. Yes, sir; I think they generally attributed it to the decline of the Government's gold reserve, which everybody could see was going on every day.

Mr. COCHRAN. It was not generally known, then, in circles with which you are particularly familiar that there was, as a fact, a heavy balance of trade against us?

Mr. WHITE. I do not think so. That is my opinion; but I told you a little while ago that I have not looked into it.

Mr. COCHRAN. If in effect there was a very heavy balance in trade against us, heavier than ever in the history of the Government for a similar protracted period, necessitating the payment of gold instead of exchange, would that account for the demands made upon the Treasury in the years 1893, 1894, and 1895?

Mr. WHITE. It would account pro tanto.

Mr. COCHRAN. Now, then, do you not think that had the Treasury adopted the same course here that was adopted in France and remanded the gold exporter to the market, where he might have been compelled to pay a small premium for gold for export, it would have been a reasonable treatment of the embarrassments growing out of that demand?

Mr. WHITE. No; I think not.

Mr. COCHRAN. Has it worked badly in France, do you think?

Mr. WHITE. Well, the cases are different in this sense—yes; I think it has worked badly in France.

Mr. COCHRAN. In what respect?

Mr. WHITE. In compelling the exporter to pay one-quarter per cent more than he ought to have paid.

Mr. COCHRAN. It cost the exporter a little more?

Mr. WHITE. Yes; and the exporter is generally a banker who sells bills of exchange, and he charges it up to the man who buys the bills, who is an importer of goods.

Mr. COCHRAN. Then the injury which would be effected by the adoption of the French system would be to entail upon international traders in this country burdens similar to those borne by the same class of traders in France, and you think that is not right or desirable?

Mr. WHITE. I did not say that was all. I think, in the first place,

the country or bank is bankrupt if it does not pay one hundred cents on the dollar of its obligations.

Mr. COCHRAN. We think one hundred cents on the dollar is paid by paying a hundred-cent dollar—gold, silver, or paper—and we do not know, out our way, any other kind of a dollar and never expect to see one, or that any man will have genius enough to find a way to fabricate one. Do you think the system of placing a higher rate of bank discount, through the Bank of England, distinctly for the purpose of discouraging and preventing gold export, has worked badly in that country?

Mr. WHITE. No.

Mr. COCHRAN. Why would it not be advisable for our Treasury to distinctly discourage gold exports, instead of passing laws like this to make gold exports easier?

Mr. WHITE. Well, in the first place, your Government does not discount commercial paper, and the Bank of England does.

Mr. COCHRAN. I am not discussing that. I am discussing it now in relation to its quasi-governmental function. It is the governmental policy that the Bank of England adopts when it places a higher rate of discount to prevent gold exports.

Mr. WHITE. I deny the Government has anything to do with discounts in England.

Mr. OTJEN. It is a commercial transaction, is it not?

Mr. BOUTELL. Can you permit each one of the 18 members of the committee to interrogate you for the same length of time?

Mr. WHITE. Certainly.

Mr. COCHRAN. I am obliged to the gentleman from Illinois for that suggestion. I supposed that each of the 18 members would reserve the right to be governed by his own opinion of propriety, and the suggestion from the gentleman from Illinois will not have great weight in determining what I will do in the premises. The gentleman from Missouri will do as he pleases, and if the gentleman from Illinois wants to question Mr. White for eighteen hundred years the gentleman from Missouri would not interpose any objection. The present charge on the gold reserve is approximately $346,000,000 in greenbacks, plus the amount of Sherman notes—about $60,000,000—is it not?

Mr. WHITE. Yes.

Mr. COCHRAN. In the event of a situation creating a demand for gold for export would not the addition of $500,000,000 of demands on that fund aggravate the danger of gold exports?

Mr. WHITE. You mean the existing demand?

Mr. COCHRAN. Yes, sir.

Mr. WHITE. No; I think not. I think it would add to the confidence of the country in the permanence of the gold standard, and rather lessen the demand instead of increasing it.

Mr. COCHRAN. Assuming that there should exist in any year a $100,000,000 balance of trade against us, upon demand for payment could anything lessen the demand for gold for export—any amount of confidence?

Mr. WHITE. Oh, no.

Mr. COCHRAN. Then the demand for export would be measured by the demands of the foreign creditors?

Mr. WHITE. Yes; the demands of the foreign balances must be paid anyhow.

Mr. Cochran. Certainly; do you think it is in part the Government's legitimate function to provide means for raking our gold together, without expense to the exporters, to be sent abroad?

Mr. White. I do, so long as the Government furnishes the currency of the country. I wish the Government were out of it and had nothing to do with it, but as long as it does it must furnish all the gold required.

Mr. Gaines. I have asked several questions and I want to ask one or two more. I do not want to embarrass Mr. Boutell or any other member, however, in asking their questions by taking the floor. You spoke, Mr. White, a while ago of, I believe, being in favor of this bill of which the title is "to maintain the legal tender of the silver dollar on a parity with gold." I will ask you to give your opinion as to whether or not the making of private gold contracts or even making them by law does not tend to produce a disparity between the coin moneys?

Mr. White. No; I do not think so. That is one of the very few points on which I differ from Secretary Gage.

Mr. Gaines. Will you give us your reasons for it?

Mr. White. Why it does not?

Mr. Gaines. Yes.

Mr. White. In the first place, I do not know why it should.

Mr. Gaines. Does not every gold contract mean and is intended to mean to stop its payment in any other money but gold?

Mr. White. Yes.

Mr. Gaines. And does it not to that extent destroy the tender or money value of every other money except gold, and to that extent destroy its use as money, and as you stop the use of a tender money you increase a disparity?

Mr. White. There is no other money but gold. Silver is not money; greenbacks are not money.

Mr. Gaines. What do you call "money?"

Mr. White. Money is something which is a measure of value and a medium of exchange, and there is nothing but gold that fills that bill.

Mr. Gaines. Is not the silver dollar money?

Mr. White. No.

Mr. Gaines. Is not the silver certificate money?

Mr. White. It discharges debts.

Mr. Gaines. Can not you pay taxes with the silver dollar?

Mr. White. Yes.

Mr. Gaines. Is not that money? Did you ever hear of taxes being paid in anything else but money?

Mr. White. Yes, sir. I have "worked out" taxes myself.

Mr. Gaines. I do not doubt but what that may be; I have heard of "penalties" being imposed on people and of their working them out. Do you know how many gold contracts are in existence in the United States?

Mr. White. I do not know exactly the figures, but I know there are a great many railroad bonds of that kind issued.

Mr. Gaines. Are not all the railroad bonds in fact payable in gold?

Mr. White. I think most of them are.

Mr. Gaines. To that extent does not that say to silver and paper money, "You shall not pay this debt," and to that extent enforce the disuse of those moneys, and to that extent prevent a parity from being

maintained, the very thing that this bill proposes to maintain or do, and the very thing that is the pronounced policy of the Government?

Mr. WHITE. I said a little while ago that the silver dollar is not money. Subsidiary silver is not money; it is small change, and the silver dollar is large change. The fact that you have made it legal tender does not make it money. Anything may be legal tender that Congress chooses.

Mr. GAINES. Let us agree for the purpose of my argument that it is money because the Government makes and says it is money. Do you not produce a disuse and thereby a disparity between gold and silver coins just in proportion as you increase gold contracts?

Mr. WHITE. No.

Mr. GAINES. What will produce a disparity between the two moneys?

Mr. WHITE. An excessive amount of silver would certainly produce a disparity.

Mr. GAINES. Why?

Mr. WHITE. Because, as I said this morning——

Mr. GAINES. Its use would be lessened?

Mr. WHITE. The Government receipts will finally be collected in silver exclusively, and the Government will have no money to meet its gold obligations. That is the only way it can produce disparity.

Mr. GAINES. Then you agree that there is no money in this country except gold money?

Mr. WHITE. I do affirm that most positively. I mean to say this: That any other kind of money you have does not meet the scientific definition of money, which is a measure of value and a medium of exchange.

Mr. GAINES. I am not talking about the scientific part of it, I am talking about the legal part of it—the money Congress coins into standard dollars.

Mr. WHITE. Money that is not scientific is not money at all.

Mr. GAINES. Is not paper money—some we issue—scientific money?

Mr. WHITE. No. I call that currency.

Mr. SHAFROTH. It is a mere promise to pay, but I thought the silver dollar was money.

Mr. GAINES. You say the silver dollar is not money?

Mr. WHITE. I said so.

Mr. GAINES. What has gotten it in that condition? It is used for money.

Mr. WHITE. It was demonetized in 1873. That is what got it in that condition, exactly.

Mr. GAINES. It was not money in 1878, after the Bland-Allison Act?

Mr. WHITE. No, sir; it was not.

Mr. GAINES. And not in 1890?

Mr. WHITE. No. The mints were not opened to silver. That metal was bought by the Government in limited amounts.

Mr. GAINES. Do you not think the bullion price of silver would be raised if it was given permission to be made into money just as gold is?

Mr. WHITE. Now you are coming to the true definition of money.

Mr. GAINES. If you make the silver bullion money it would increase in price the bullion value?

Mr. WHITE. I think it would for a while. I think it would jump up for a while.

Mr. GAINES. How far would it jump?

Mr. WHITE. I do not know; the Lord only knows.

Mr. GAINES. Do you think the bullion price of gold would come down, too, and meet it about on halfway ground?

Mr. WHITE. The price of gold? Gold is itself price, and when you talk——

Mr. GAINES. Gold was not worth as much per dollar as silver in 1873, was it?

Mr. WHITE. No; the silver dollar was worth a little more than the gold dollar at that time.

Mr. GAINES. If 412½ grains of silver had the right to be made into a dollar, would you sell it at 46 or 50 cents, or whatever the price is to-day?

Mr. WHITE. I do not understand that question.

Mr. GAINES. If you had a chunk of silver weighing 412½ grains, would you sell it at its bullion value to-day of 50 cents, or whatever it is?

Mr. HILL. It is about 49 cents.

Mr. GAINES. Would you sell it at 49 cents?

Mr. WHITE. You mean uncoined?

Mr. GAINES. Uncoined.

Mr. WHITE. I would sell at the market price.

Mr. GAINES. When you can bring it to the mint and have it made into a dollar?

Mr. WHITE. You can not do that.

Mr. GAINES. That was not my question.

Mr. WHITE. I did not understand it.

Mr. GAINES. I say, give silver the same privilege given gold now—in other words, the same privilege both had before demonetization in 1873—and you had a chunk of silver of 412½ grains, of standard silver, would you sell that at 49 cents?

Mr. WHITE. Oh, no; I would send it to the mint, of course, and a vast number of others would do the same.

Mr. GAINES. Why would you do that?

Mr. WHITE. Because I could get the mint price.

Mr. GAINES. Then giving it free coinage would raise it from 49 cents to a dollar?

Mr. WHITE. It would——

Mr. GAINES (interrupting). By giving it the same legal right gold has?

Mr. WHITE. It would raise an ounce, but that it would raise all the silver in the world I deny.

Mr. GAINES. I am not talking about all the silver in the world. This is my final question, Mr. Chairman, and I want to get it fully answered, and I know Mr. White can do it, and I thank him for his free answers. You would not sell your chunk of silver I have described for 49 cents?

Mr. WHITE. No.

Mr. GAINES. And the reason why you would not is because you could take it and have it made into a dollar, if given the same coinage right gold now has?

Mr. WHITE. Yes.

Mr. GAINES. Exactly. Would not giving it the legal right to be coined raise it from its bullion value of 49 cents to its coinage value of $1?

Mr. WHITE. It would enable me to use that particular piece at the value of a dollar.

Mr. GAINES. Would it not be a dollar when it is coined?

Mr. WHITE. Yes; but if the mints were open to all the silver in the world——

Mr. GAINES. Would it not raise its value?

Mr. WHITE. I said I think it would raise the value of silver for a short time.

Mr. GAINES. When will it stop?

Mr. WHITE. I do not know.

Mr. GAINES. Just when you repeal the law?

Mr. WHITE. I do not know.

Mr. GAINES. If the law puts it from 49 cents up to a dollar, when you repeal the law it would fall back, because you would take away from it the legal right——

Mr. WHITE. I want to know whether you are talking about all the silver in the world or this particular piece?

Mr. GAINES. I am talking about the silver dollar and its legal coinage rights.

Mr. WHITE. I will say this: It will carry the value of that silver dollar to 100 cents, and it will stay there as long as the law remains as it is now.

Mr. GAINES. As it is now it has no coinage value at all.

Mr. WHITE. If you open the mints to all the silver in the world then there would be, I say, a temporary rise in silver, and then I think it would probably fall back to its old level.

Mr. GAINES. Suppose the law permits you to coin your chunk of silver and you get another, would you sell the second chunk for 49 cents?

Mr. WHITE. No; I would treat the second as I did the first.

Mr. GAINES. You would take it and have it coined and pay your debts; I hope you do not owe any—I am satisfied you do not. Then the effect of giving standard silver an equal coinage right with gold is to make 412½ grains of standard silver in bullion the legal equivalent, the coinage equivalent, of the dollar. You would not sell your silver, now worth 49 cents, for less than a dollar, because you would have the legal right to carry it to the mints and coin it into a dollar?

Mr. WHITE. Yes, yes; but that does not apply to all the silver in the world.

Mr. LEVY. Would not that silver dollar remain a dollar as long as the credit of the United States would be able to compete with all the production of silver in the world? That is, if this was as it was at one time when we bought silver and it went up to $1.30 an ounce, and all the world joined in and sold their silver to us and obtained a very large price for it, would not the credit of the United States be affected by the silver pouring into the Treasury of the United States and asking 100 cents in gold for every dollar of it?

Mr. WHITE. Yes; I think it would.

Mr. LEVY. The credit of the United States would be affected?

Mr. WHITE. Yes; it would be injured.

Mr. GAINES. Whose credit would be destroyed?

Mr. LEVY. The credit of the United States would be affected.

Mr. GAINES. What would destroy it?

Mr. LEVY. It would be affected from the fact that we could not take all this money.

Mr. GAINES. That would have to stop some time.

Mr. SHAFROTH. When silver rises it rises all over the world at the same time?

Mr. LEVY. It went to $1.30 an ounce and then it kept going down, down.

Mr. SHAFROTH. That was because you had a limited-coinage act.

Mr. LEVY. But if we kept on coining all the silver forced into the United States Treasury it will be depreciating all the time and the United States could not stand against it.

Mr. GAINES. As long as the United States trades with foreign countries, those foreign countries must pay us in our money, must they not?

Mr. WHITE. Yes.

Mr. GAINES. And when we cease to trade with other countries, then they have no further need for our money, and when they get our dollar they ship it back here, do they not?

Mr. WHITE. What is that?

Mr. GAINES. As long as we trade, say, with Germany, Germany must pay for what she buys from us in our money?

Mr. WHITE. Unless a contrary agreement is made.

Mr. GAINES. Yes; in other words, if we had our money there in bank, instead of paying us in their coin or their money they would pay us in our money, would they not?

Mr. WHITE. Yes, sir; if the contract is made payable in dollars.

Mr. GAINES. Suppose it was a common, ordinary commercial contract? Understand, I am not talking about merchandise contracts, swapping, or anything like that.

Mr. WHITE. Any contract payable in dollars is payable in our money.

Mr. GAINES. The reason I ask you that question—I will give you a little bit of history, and I beg the indulgence of the chairman to this extent. Senator Vest was in Germany in 1895, and he wanted to go to some other country from there—Prussia, I think. He went to his banker and handed him out a lot of money for exchange into the gold that was the money in the other country, and they gave him the face value of his money in the gold money. The banker was asked to make the change, and Senator Vest said: "Wait a minute, I have given you some silver certificates there, I see, which are not legal tender in our country." The banker said in substance: "It does not make any difference; that is just as good money as we want. We have to trade with you in buying your pork and a great many other things we use here, and just as long as we trade with America—the United States—we pay her in her own money and without discount." And he gave Senator Vest face value in gold the amount of his silver certificates and other money of the United States. Hence, I asked you this question just now, that as long as we trade with a foreign country that foreign country must use our money, and when we cease to trade with it it does not make any difference whether we have gold or silver, they send it back to this country.

Mr. OTJEN. They can pay in gold just as well?

Mr. GAINES. In this particular instance it was silver certificates—paper money. I have a letter stating this, and Senator Vest told me

this, and it is a matter of public record that the gentleman said that as long as they traded with America—the United States—they must pay her in her own money.

Mr. OTJEN. Gold would answer the purpose equally as well in discharging trade balances between two nations.

Mr. GAINES. But silver would do just as well, because they can use it in paying the debts they owe us, and it did so in this case, and it was the rule in Germany.

Mr. BOUTELL. I would just like to ask Mr. White one question; and when I asked before how long he was going to be here, it was not with a view of cutting off any other member, but I was afraid Mr. White might be leaving the city to-day. The one question I would like to ask is this: Whether there is not a strong moral obligation, as suggested by the Secretary of the Treasury, on the part of the United States Government, under our laws as they now exist, to exchange the gold dollar for every silver dollar for this reason, that for every silver dollar that the Government has put out it has received therefor the value of a gold dollar?

Mr. WHITE. That is my opinion, emphatically. The Government bought silver at the market price, at a low price, and coined it into dollars and paid them out at 100 cents' value in gold every time, and therefore I say it is morally bound to exchange gold for them if the holder of the silver dollar wishes to do so.

Mr. LEVY. Maybe I did not make plain the question I asked Mr. White a while ago, How long do you think the stability of the credit of the Government would exist if everybody would present 412½-grain silver dollars and receive gold dollars for them? Would not that affect our credit?

Mr. WHITE. I think it would tear our monetary system all to pieces.

Mr. HILL. I think you stated if you had the sole power to regulate this matter as you saw fit, you would sell either all or a large part of the silver bullion. When the German Government went to the gold standard in 1873 do you remember to what extent they sold bullion?

Mr. WHITE. Well, I have got those figures at home.

Mr. HILL. I think it was $135,000,000, equivalent. The statistics show they had at that time $7.47 per capita in silver.

Mr. LEVY. I think that is in marks, the 135,000,000.

Mr. HILL. The Director of the Mint's report shows it was $7.47 in dollars per capita, and last year they had $3.98. I think they sold $135,000,000 worth of bullion and lowered the price to 95 cents an ounce. Now, then, during the last session of the Reichstag a year ago they pursued this course: They voted to recoin into subsidiary coin the balance of their legal-tender silver for the ten years to come until they reached 14 marks per capita, which is about equivalent to $3.50.

Mr. WHITE. That is correct, I understand.

Mr. HILL. Thus absorbing their legal-tender silver, transferring it into subsidiary coin, and in view of this action I drew this bill. I would like to ask you as an expert on this subject, in your judgment, whether it is possible for the United States to float an equal amount of subsidiary coin per capita with Germany?

Mr. WHITE. I think it can float more.

Mr. GAINES. Will you furnish the committee with the amount of gold contracts in the United States, without putting yourself to too much trouble?

Mr. WHITE. I do not think there are any data from which you can compute the amount.

Mr. GAINES. Is there not some paper in New York, the Commercial Review——

Mr. WHITE. I doubt if you could get those figures.

Mr. HILL. Will you please state your reasons for thinking this country can float an equal amount of subsidiary coin per capita with Germany?

Mr. WHITE. For the reason we are a richer country, wages are higher here, and the wage-earners mainly use the subsidiary coin.

Mr. HILL. Let me ask another question, which will anticipate another question which I will ask Mr. Roberts when he goes on the stand. Do you think from your experience in this matter that the probabilities of the increase of gold, judging by the past, would be such as to do away with any fear or anxiety by reason of the changing of the legal-tender silver to subsidiary silver; in other words, is not in all human probability the increase of gold more than sufficient to fill up any loss of legal-tender money?

Mr. WHITE. By far more.

Mr. HILL. So there would be no danger in the Government entering upon a policy of this kind?

Mr. WHITE. None whatever. The production of gold has been proceeding at a stupendous pace, reaching $300,000,000 a year, and but for the war in the Transvaal the production of the world would have been $325,000,000 for 1900.

Mr. GAINES. Is not our business transcending the limits of all history heretofore—the volume of business?

Mr. WHITE. I am not aware of any statistics——

Mr. GAINES. But is not this, the Republicans claim, the most prosperous year that ever occurred in our country?

Mr. WHITE. I rather think it is.

Mr. GAINES. Has not the volume of business grown larger than ever before?

Mr. WHITE. I suppose so.

Mr. GAINES. How much in excess of this business has the gold production been?

Mr. WHITE. Nobody can tell.

Mr. HILL. The total volume of silver in this country when the bullion is coined will be not far from $600,000,000?

Mr. WHITE. Yes, sir.

Mr. HILL. Germany will have about $3.50 per capita when their legal-tender silver is changed to subsidiary coin. Do you think it will be safe for us to figure on the same amount ultimately?

Mr. WHITE. I think we can calculate on a larger percentage.

Mr. HILL. Say $4?

Mr. WHITE. Yes; I should think so.

Mr. HILL. That would be $300,000,000 subsidiary coin?

Mr. WHITE. Yes.

Mr. HILL. That will reduce our volume of the legal-tender silver down to about $300,000,000. Would you think there would be any great strain on the gold reserve provided the issue of bank notes was restricted to denominations of $10 and over, and provided the silver was exchangeable for gold? Would not we be in far better condition with $300,000,000 of subsidiary coin than we are to-day?

Mr. WHITE. It depends upon how much can be used, and I do not know any way to ascertain that except to make the experiment and furnish subsidiary coin from the Treasury just as fast as the public will take it.

Mr. HILL. Let them have it?

Mr. WHITE. Let them have it.

The CHAIRMAN. In that computation you did not take into account the amount of subsidiary silver now?

Mr. HILL. Yes, sir; that is included in the $600,000,000. Under these circumstances, with the probabilities which are before us, would you think it wise to deliberately sell the bullion rather than coin it into subsidiary coin?

Mr. WHITE. I should reserve as much as I thought could be absorbed in that way.

Mr. HILL. And then sell the balance?

Mr. WHITE. As I said, I would sell the rest as an economical, not a political, proposition, but I am aware there are obstacles——

Mr. GAINES. What do you mean by "political considerations?"

Mr. WHITE. I mean that if a political party should take the responsibility at the present time of selling the silver in the Treasury, it would meet with a good deal of popular opposition and prejudice and might throw the party out of power.

Mr. GAINES. So you think we had better not attempt it all at once?

Mr. WHITE. I do.

Mr. GAINES. That it would throw the present party out of power?

Mr. WHITE. I think it would be a dangerous thing to do politically; I think it would arouse a certain opposition.

Mr. GAINES. Do you think it would throw Mr. McKinley out?

Mr. WHITE. Not for four years.

Mr. GAINES. I understand that, but I ask the question seriously, Do you think it would defeat his successor?

Mr. WHITE. I do not know what will happen in four years.

Mr. GAINES. In other words, you mean to say that any party which undertakes to dump this silver all at once, in the manner you have suggested, that that will throw that party out of power?

Mr. WHITE. I say it will be a dangerous thing to attempt suddenly.

Mr. GAINES. Wherein would it be dangerous?

Mr. WHITE. Popular prejudice would be against it.

Mr. GAINES. I understood you to say that the rule about railroad bonds is to issue them payable in gold?

Mr. WHITE. Yes, sir; that rule was adopted even before specie payments were resumed, in 1879, because most of the railroad bonds were sold abroad, and the sellers wanted to make a good market for them, so they made them payable in gold for that reason.

Mr. GAINES. They were not that way before 1873?

Mr. WHITE. Generally not.

Mr. GAINES. Because gold then was cheaper than silver, was it not?

Mr. WHITE. Gold was cheaper than silver, but I think nearly all the railroad bonds now in existence have been sold since 1873.

Mr. GAINES. Can you tell me how much money is held by the banks of the country in what is known as the reserve fund under the 25 per cent and 15 per cent clause?

Mr. WHITE. No; I do not know. You can find that in the report of the Comptroller of the Currency, which I have not before me.

Mr. GAINES. That much money is practically out of circulation?

Mr. WHITE. A bank's reserve, you know, may consist of two things, greenbacks or gold, or both.

Mr. GAINES. If held as reserve, it is kept out of circulation?

Mr. WHITE. Yes. It is a reserve established by law, 25 per cent in large cities and 15 per cent in small ones.

Mr. HILL. As between the proposition to maintain the present volume of legal-tender silver and make it redeemable in gold or exchangeable in gold—for I recognize the difference between redemption and exchange—and the proposition to reduce that volume by coining it into subsidiary coin and thus prevent what we must otherwise certainly have, the purchase of silver for subsidiary coin, which do you think would be the wiser proposition?

Mr. WHITE. I think it would be wiser to coin what you already have.

Mr. HILL. And reduce the volume in that way?

Mr. WHITE. Yes.

Mr. LEVY. I would like to ask one question, if it will not detain the committee and Mr. White. I think, Mr. White, in speaking about this silver being sold, which of course is past history—does he mean to say at present it would be policy to do so? Do you not think really when you place this silver into circulation to meet the demand for dollars and small money that the $550,000,000 we have now would not be too much for the business of this country, not to enlarge it, but it is safe now for us to go on as it is, and you would not disturb the present state of affairs, but make it exchangeable with gold?

Mr. WHITE. Yes, sir; that is exactly what I believe.

Mr. HILL. There is another matter which will unquestionably come before this committee, and probably it will not be possible for us to get Mr. White down here again, and that is the question in regard to the Philippine coinage. It is bound to come here. Have you given any attention to that subject at all?

Mr. WHITE. Very little. I have just seen what has been in the newspapers.

Mr. HILL. With what attention you have given, what would you recommend?

Mr. WHITE. I should recommend the commission out there to leave the question alone entirely—not to do anything, not to attempt to interfere with the currency.

Mr. SHAFROTH. You mean to allow them to use the Mexican silver dollar?

Mr. WHITE. Certainly, for the present.

Mr. GAINES. With our dollar over there, too?

Mr. HILL. There is this trouble, I understand: The Mexican dollar is of two kinds, one originally coined and one coined in the last three or four years, which is worth 2 or 3 cents less than the old one. The old ones have been taken away and the new ones have not come in. It is merely the difference in price between the two coins, but it has simply stripped the Philippine Islands of the old Mexican dollar; consequently they find themselves very greatly embarrassed for lack of money to do business with. Now the question comes up, practically, shall the United States Government coin a special Philippine dollar to fill that gap made by the old high-priced Mexican dollars, or shall we

gradually introduce our own currency on the gold basis in the Philippine Islands? One or the other is essential.

Mr. WHITE. It is astounding to me that one kind of money should go out faster than another kind of money comes in, unless one is in limited supply at the fountain head. If there is an unlimited supply of both kinds of Mexican dollars, I should think the new ones would come in as fast as the old ones go out.

Mr. GAINES. Will not our good money drive the other out under the so-called Gresham law?

Mr. WHITE. I understand the old one circulates at 2 cents above the new?

Mr. GAINES. There is a Philippine gold dollar that "circulated" into and clear out of that country; a First Tennessee Regiment soldier gave it to me. I had, but lost a few days ago, a Mexican gold dollar coined in 1896.

Mr. WHITE. I did not know that they had any gold dollars in the Philippines.

Mr. GAINES. I carry it around to show to my gold friends.

Mr. SHAFROTH. Are you certain there was a change in the Mexican dollar?

Mr. HILL. If you will look in the back part of the Comptroller's report you will find the reports of the army officers explaining the difference between the two.

Mr. SHAFROTH. Who coins that?

Mr. HILL. The Mexican Government itself.

Mr. SHAFROTH. The new dollar is of less value than the old?

Mr. HILL. About 2 cents less than the old.

The United States Government is too poor to enable any committee to take care of the expenses of gentlemen whom they have invited to appear before them, and the only thing we can do is to be grateful to these gentlemen, and, under those circumstances, I move the committee extend to these gentlemen who have come here before us its thanks.

The motion was adopted.

Mr. HILL. I now move that this hearing be continued next week at the regular hour.

That motion was adopted, and thereupon the committee adjourned.

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES,
HOUSE OF REPRESENTATIVES,
Thursday, January 17, 1901.

The committee met at 10 o'clock a. m., Hon. J. H. Southard in the chair.

The CHAIRMAN. Gentlemen, I have here some letters which I will read:

INDIANAPOLIS, *January 9, 1901.*

Hon. J. H. SOUTHARD, M. C.,
Chairman, House of Representatives, Washington, D. C.

DEAR Mr. SOUTHARD: Your esteemed favor of the 5th instant only came to my hand this morning, after my return home from Washington and New York. I wish I could have been of service to you, but the letter came to late, and I really suppose that you will not need very much testimony on any bill that makes metallic currencies exchangeable.

Faithfully, yours, H. H. HANNA.

Here is a letter from Mr. G. G. Williams, president of the Chemical National Bank. It is as follows:

THE CHEMICAL NATIONAL BANK,
New York, December 9, 1901.

JAMES H. SOUTHARD, Esq.,
Chairman Committee on Coinage, Weights, and Measures,
House of Representatives, Washington, D. C.

DEAR SIR: I appreciate the honor of the invitation to appear before your committee on the 10th instant and give my views in regard to House bills 13032 and 13099, but I can not very well spare the time to be present, and can convey my ideas quite as well by this letter.

I am most heartily in favor of both bills, but would suggest that the bill No. 13032 be made to read, "excepting the denomination of ten dollars," instead of "one dollar," for the reason that the coinage of $1 gold pieces was long ago suspended by the Government, and it would seem unreasonable to give the clerks in the different departments the labor and annoyance of exchanging so small a sum as $1. With this exception, I think the bills are most useful, and are demanded by public sentiment and by the emphatic indorsement by the people of the principle of the gold standard.

Yours, very truly,

G. G. WILLIAMS.

JANUARY 11.

Unfortunately, this letter was not mailed.

G. G. W.

Then, here is a subsequent letter from Mr. Williams, as follows:

THE CHEMICAL NATIONAL BANK,
New York, January 12, 1901.

J. H. SOUTHARD, Esq.,
Chairman Committee on Coinage, Weights, and Measures, Washington, D. C.

DEAR SIR: Reading with a little more care bills Nos. 13032 and 13099, received in your favor of the 7th instant, I would like to say what perhaps I ought to have stated in my previous letter, that I much prefer the bill No. 13032 with the amendment of $10 instead of $1, to bill No. 13099.

Yours, very truly, G. G. WILLIAMS.

Mr. COCHRAN. He wants to change that one dollar to ten.

The CHAIRMAN. Yes.

Mr. Conant has just telephoned and said that he would like to be here a little later, and I have asked him to come as early as a quarter past 11, and we could hear him probably with Mr. Roberts at that time.

Mr. HILL. I would like to read a letter which I have here from Mr. Muhleman, the assistant treasurer, which was written and sent to me with an inclosure personally, and he requested me not to present the letter to the committee without the consent of the Secretary of the Treasury, he being an officer of the Government, and so I went to the Secretary last night and submitted it to him, and he gave his consent. Before reading it I want to say that this question as to this bill seems to be turning on the one point on which Mr. Muhleman takes the ground which I think some others have taken before, that the silver certificate should be exchangeable for gold as well as the silver dollar. I am distinctly opposed to that, and this letter will advocate that proposition, but it is addressed to you, Mr. Chairman, and a personal letter is sent to me requesting me to get the consent of the Secretary.

MEMORANDUM ON HOUSE BILL 13099.

Paragraph I: "That the Secretary of the Treasury is hereby directed to coin the silver bullion in the Treasury, purchased under the act of July fourteenth, eighteen hundred and ninety, into such denominations of subsidiary silver coin as he may deem necessary to meet public requirements, and thereafter, as public necessities may demand, to recoin silver dollars into subsidiary coin."

Existing law (sec. 8 of the act of March 14, 1900) continues the coinage of the bullion specified into standard dollars, but authorizes the use of a portion of the bullion, at the discretion of the Secretary of the Treasury, for the subsidiary coinage, limiting the maximum issue of such coin to $100,000,000. The coinage of dollars is directed by section 34, act of June 13, 1898, to an amount not less than $1,500,000 monthly.

This bill apparently directs the Secretary to coin all of the bullion into subsidiary pieces, giving the Secretary discretion only as to denominations.

The bullion in question is carried by the Treasury (debt statement for December, 1900) at its cost, $56,937,918; it would have produced at that date about $85,000,000 of subsidiary coin, which, if added to the present stock, estimated at $87,569,473, would give a total of fully $172,500,000.

Although this bullion cost us more (about 92.4 cents per fine ounce) than it could be obtained for now (say, 65 cents per fine ounce), the fact that we have it on hand and its coinage would cause no loss, but an actual gain, to the Treasury cash, this use of the bullion would be entirely justifiable if it be determined to permanently suspend the coinage of standard dollars. I have assumed that one of the objects of the bill is to suspend the dollar coinage; a "repealer" would make that purpose much more definite.

I have prepared a table (herewith) showing the supply and use of subsidiary coin and the use of silver dollars since 1878, when the issue of the latter was resumed, giving amounts both for June 30, when the use is about at the lowest, and for December 31, when it is usually at the highest.

Supply and circulation of subsidiary coin and the circulation of silver dollars.

[Prepared by M. L. Muhleman from reports of the Treasurer of the United States.]

Year.	Population, estimated (June).	Subsidiary coin, end of June.				Subsidiary coin, end of December.				Silver dollars.				Dollars and subsidiary.				Dollars held for certificates outstanding (June).
										End of June.		End of December.		End of June.		End of December.		
		Supply.	In Treasury.	In circulation.	Circulation per capita.	Supply.	In Treasury.	In circulation.	Circulation per capita.	In circulation.	Per capita.	In circulation.	Per capita.	In circulation.	Per capita.	In circulation.	Per capita.	
	Millions.	*Millions.*	*Millions.*	*Millions.*		*Millions.*	*Millions.*	*Millions.*		*Millions.*		*Millions.*		*Millions.*		*Millions.*		*Millions.*
1878....	47.6	71.7	6.9	64.8	$1.36	74.0	6.0	68.0	$1.43	0.9	$0.02	5.8	$0.12	65.7	$1.38	73.8	$1.55	1.9
1879....	48.9	76.2	8.9	67.3	1.38	77.6	18.9	58.7	1.20	7.7	.16	16.9	.35	75.0	1.53	75.6	1.55	2.5
1880....	50.2	78.8	24.3	54.5	1.08	79.4	24.7	54.7	1.09	19.3	.38	29.3	.58	73.8	1.46	84.0	1.65	12.4
1881....	51.3	80.0	27.2	52.8	1.03	80.3	26.0	54.3	1.06	28.8	.56	35.8	.70	81.6	1.59	90.1	1.76	51.2
1882....	52.5	80.4	28.0	52.4	1.00	80.7	26.5	54.2	1.03	32.0	.61	38.9	.74	84.4	1.61	93.1	1.77	66.1
1883....	53.7	81.0	28.5	51.5	.98	78.1	27.2	50.9	.95	35.3	.66	42.0	.78	87.8	1.64	92.9	1.73	88.6
1884....	54.9	75.3	29.6	45.7	.83	75.1	29.2	45.9	.84	39.8	.73	43.1	.78	85.5	1.56	89.0	1.62	120.9
1885....	56.1	74.9	31.2	43.7	.78	75.0	27.8	47.2	.84	38.5	.69	52.5	.94	82.2	1.47	99.7	1.78	139.9
1886....	57.4	75.1	28.9	46.2	.80	75.1	25.7	49.4	.86	52.5	.91	61.1	1.07	98.7	1.71	110.5	1.93	116.0
1887....	58.7	75.6	27.0	48.6	.83	76.3	24.3	52.0	.89	55.5	.95	64.2	1.09	104.1	1.78	116.2	1.98	145.5
1888....	60.0	76.5	26.1	50.4	.84	76.9	23.7	53.2	.89	55.5	.92	60.8	1.01	105.9	1.76	114.0	1.90	229.5
1889....	61.3	76.6	25.1	51.5	.84	76.7	21.9	54.8	.89	54.4	.89	61.3	1.00	105.9	1.73	116.1	1.89	262.6
1890....	62.6	76.9	22.8	54.1	.86	77.7	19.0	58.7	.94	56.2	.90	67.5	1.08	110.1	1.76	126.2	2.02	301.5
1891....	64.0	78.0	19.7	58.3	.91	76.6	13.8	62.8	.98	57.7	.90	62.3	.97	116.1	1.81	125.1	1.95	314.7
1892....	65.4	76.6	14.2	62.4	.95	77.9	10.6	67.3	1.03	56.8	.87	62.8	.96	119.2	1.82	130.1	1.99	331.6
1893....	66.9	77.3	11.9	65.4	.98	77.5	11.6	65.9	.99	57.0	.85	57.9	.86	122.4	1.83	123.8	1.85	331.0
1894....	68.3	76.1	17.9	58.2	.85	77.2	14.5	62.7	.92	51.2	.75	57.9	.85	109.4	1.60	120.6	1.77	337.1
1895....	69.7	76.8	16.6	60.2	.86	77.2	12.8	64.4	.92	52.0	.75	59.2	.85	112.2	1.61	123.6	1.77	328.9
1896....	71.0	75.7	15.7	60.0	.85	76.3	14.2	62.1	.87	52.2	.73	58.6	.83	112.2	1.58	120.7	1.70	342.6
1897....	72.3	75.4	16.2	59.2	.82	76.4	10.7	65.7	.91	52.0	.72	61.5	.85	111.2	1.54	127.2	1.76	375.5
1898....	73.6	76.4	12.1	64.3	.87	76.6	6.0	70.6	.97	57.3	.78	65.2	.88	121.6	1.65	135.8	1.85	398.6
1899....	74.9	76.8	6.1	70.7	.94	79.7	3.0	76.7	1.02	63.4	.85	70.4	.94	134.1	1.79	147.1	1.96	406.1
1900....	76.3	82.9	6.6	76.3	1.00	87.5	4.4	83.1	1.09	66.4	.87	76.2	1.00	142.7	1.87	159.3	2.09	416.0

NOTES.—The population estimates for 1881 to 1889 are as given in the Statistical Abstract; 1891 to 1899 are my own estimates, based on the census of 1900, the figures in the Statistical Abstract being obviously excessive.

Critical examination shows that prior to 1883 the Mint Bureau included 6,000,000 trade dollars in the estimate of subsidiary coin; these were omitted after that year.

The increased circulation of subsidiary coin after 1890 was due to the new coinage—changing the design. This stimulant soon exhausted itself, however.

The marked increase in silver certificates after 1886 was due to the issue of $1, $2, and $5 certificates, under the law of that year.

The per capita fluctuations mark the periods of business depression very clearly.

It will be observed that when the actual circulation of dollars began the volume of subsidiary coin in circulation was materially reduced, and this condition has prevailed ever since 1882. The dollar pieces therefore actually perform a useful function in our circulation. That this has been stimulated by the law providing for free delivery of the coin is obvious. The circulation of dollars has, however, rarely exceeded one piece per capita. Even now, when the volume is much larger than ever before, the average is slightly under $1.

The question arises, Will the policy of suspending the coinage of dollars prove satisfactory? That they serve a distinct purpose in the crop movements (especially in the South) is manifested by the annual expansion of the volume in use between July 1 and December 31, which in the very busy half-year just closed amounted to nearly $10,000,000.

It is true that, to a certain extent, half dollars could and would be used in lieu of the dollars, but not to anything like the full extent of the amount of the larger pieces now out. There would remain a demand for silver dollars which $50,000,000 would hardly cover, and this demand should be reasonably provided for.

Now, the movement of dollars indicates that the tendency is steadily toward the Treasury for the purpose of obtaining silver certificates (see the last column in the table); and when once issued it is difficult, under ordinary conditions, to get them back—more so now, since 90 per cent of the issue is in small denominations, than formerly. The supply of "free" dollars in the Treasury available for issue has for a number of years been very low at the periods when most required. Thus the statement for December 31, 1900, shows only $1,082,182 on hand, and the Treasury has hence been compelled to require that silver certificates be deposited to obtain dollars. The amount of dollars on hand coined out of bullion purchased under the law of 1890 stood at $4,459,082 on December 31, 1900; but these are in the trust fund, and can, according to law, be issued only as Treasury notes of 1890 are presented—a very slow process at present.

If, then, the existing laws and regulations governing the issue of dollars and certificates are continued in force and the pending bill enacted, the Treasury would probably find itself at an early date in a position where, with an actual abundance of silver dollars, it could not supply the customary and legitimate demand for such coin from certain parts of the country.

It seems proper, therefore, to make some provision in the bill to meet this demand if the dollar coinage is to be discontinued. Thus it might be provided that the issue of silver certificates be so limited and regulated as to leave at all times a fixed supply of dollars available. The same end would, however, be reached if the denominations of the coinage, whether standard or subsidiary, and the amount thereof were left to the discretion of the Secretary.

Recurring now to the table, it will be observed that it is not likely, with dollars in circulation, that the per capita use of subsidiary coin could be increased beyond $1.15; the ultimate supply of such coin contemplated by this bill would be ample for a population of 150,000,000; a number which we hardly expect to reach within forty years. If the law is mandatory, so that the subsidiary coinage must be continuous, the Treasury would before long find itself, as in the period between 1881 and 1891, loaded with this coin returned to it. Aside from its very limited availability for payments, which for a number of years caused the Treasury considerable embarrassment, this would entail great labor and expense in handling.

It should be borne in mind that under existing law the silver bullion is held in the Treasury trust fund as an asset against the liability for the same amount of Treasury notes of 1890 outstanding. Provision should hence be made to cover this liability in some other way if the bullion is diverted for the subsidiary coinage.

Upon the whole, while the policy of further limiting the coinage of standard dollars is entirely justifiable and it is advisable to increase the supply of subsidiary coin, I much prefer the provisions of the existing law. The determination of a fixed sum of dollars may be desirable; but the general and important object (contained in the second paragraph) can be accomplished without cutting off the coinage.

If the policy of converting the bullion into subsidiary pieces is, however, determined upon, the amount to be coined from time to time, as well as the denominations, should be left to the discretion of the Secretary.

Paragraph II. "The Secretary of the Treasury is hereby directed to maintain at all times at parity with gold the legal-tender silver dollars remaining outstanding; and to that end he is hereby authorized to exchange gold for legal-tender silver dollars when presented to the Treasury in the sum of five dollars or any multiple thereof, and all provisions of law for the maintenance of the reserve fund in the Treasury relating to United States notes are hereby made applicable to the exchange of legal-tender silver dollars."

The bill apparently intends to provide only for the exchange of gold for the silver dollars outstanding, and this would seem to affect only, say, $76,000,000. But since the silver certificates are at all times redeemable in dollars, a much larger amount of the latter might be regarded as available for exchange into gold on demand. Theoretically, about $505,000,000, of which $422,000,000 are held in the Treasury for certificates, might be presented; practically, however, the continued need for the retail business of the silver certificates would make it impossible to present more than a very limited part of these, and more than one-half the dollars would not actually be available for the exchange. Hence, in effect, the amount first mentioned above is probably a very reasonable maximum of dollars that would need to be provided for. The words "remaining outstanding," in line 12, might be omitted without injury.

It will occur to many readers of the bill that the silver certificates are not provided for therein, constituting an apparent discrimination against this form of our currency; but since the certificates are in fact, as pointed out above, always convertible into dollars, there would in practice be no discrimination. Upon the other hand, since the effect is the same, it would appear an advantage, as a means of carrying the conviction that parity is guaranteed for all forms of money, that the apparent discrimination be obviated.

MEMORANDUM ON HOUSE BILL 13032.

"SEC. 1. That whenever there shall be presented at the Treasury of the United States any pieces of money coined or issued by the United States exceeding the denomination of one dollar, and demand shall be made upon the Secretary of the Treasury for gold coin in exchange therefor, the Secretary of the Treasury is hereby authorized and directed to make such exchange in gold coin of the United States equal in value to the face value of the pieces of money presented for exchange."

The first section of this bill more nearly embodies the full spirit of the law directing the maintenance of parity between all the moneys of the United States, and its phraseology is in general preferable to that of the exchange provision in the second paragraph of bill No. 13099. By making all forms of money issued by the United States, except subsidiary and minor coin, exchangeable into gold, no doubt can remain in the mind of anyone as to its meaning.

It would, however, be necessary to insert after "United States," in line 4, the words: "in sums of five dollars or any multiple thereof." The exchange of smaller sums is obviously impracticable.

"SEC. 2. That whenever in the judgment of the Secretary of the Treasury it shall be expedient or necessary to maintain the gold reserve of one hundred and fifty million dollars he is hereby authorized to issue bonds of the United States, redeemable at the option of the United States and bearing interest at the rate of two per centum per annum, in any amount sufficient to maintain the gold reserve.

"SEC. 3. That this act shall take effect on and after the date of its passage."

The second section does not appear to have any direct connection with the first, since the gold reserve is not in terms made available for the exchange provided for in the first section. It would be well to add a clause making all the gold in the Treasury not held for gold certificates, including the gold reserve available, for such exchange to section 1.

The second section provides for the maintenance of the gold reserve by means of an issue of 2 per cent bonds "redeemable at the option of the United States." Compared with existing law, this offers no improvement.

First. The Secretary of the Treasury is given in the bill unlimited discretion as to the expediency or necessity for a bond issue, whereas the present law (sec. 2, act of March 14, 1900) fixes the duty quite distinctly, practically when the reserve falls below $100,000,000.

Second. The proposed bonds are not specifically gold bonds, as in the law of 1900.

Third. The bonds are to be made redeemable at the pleasure of the United States, whereas the bonds now provided for have at least one year to run before being subject to redemption, making the latter much more easy to dispose of.

Fourth. The rate of interest proposed is 2 per cent, whereas the law of 1900 allows not to exceed 3 per cent. Whatever may be the opinion as to the borrowing power of the United States (as expressed in the interest rate) in prosperous times, it is clear that when gold is needed for the reserve the conditions would be such that the Treasury could place a 2 per cent bond only at a discount.

Altogether the bond section should be omitted; existing law takes care of this feature quite satisfactorily.

PROPOSED AMENDMENTS.

After full review of the propositions and of the conditions, the amendments noted on the accompanying copy of bill No. 13099 are suggested, so that—

1. The Secretary of the Treasury is not compelled to coin all of the bullion in question into subsidiary pieces, but his authority would not be limited as in the act of March 14, 1900, to $100,000,000 as a maximum supply of such coin.

2. Inasmuch as the bullion may be exhausted in four years, the authority to recoin dollars into subsidiary coin thereafter may prove a very useful one.

3. The only forms of money not now convertible into gold (aside from subsidiary and minor coin) are the silver dollars and silver certificates. To authorize the exchange of gold for silver dollars practically carries with it the power of a holder of the certificates to obtain the gold by having his certificates redeemed in dollars, and presenting the latter for gold. Since the result is the same, it is desirable to include silver certificates directly, rather than compel a roundabout process.

4. The inclusion of silver certificates thus gives the same result designed by bill No. 13032, making all coin and currency of denominations in excess of $1 exchangeable for gold.

5. In line 15 it appears desirable to make the provisions as to "the use," as well as "the maintenance," of the reserve applicable to the exchange.

Thus under existing law the dollar coinage would continue until the bullion is used up in the coinage of both the large and small coins; parity would be practically guaranteed for all forms of money issued by the Government; a future supply of subsidiary pieces is provided, and existing law is changed very little.

Mr. LEVY. Mr. Chairman, from this letter it is obvious that he practically indorses my bill. I thought when I originated this idea that we should not in any way disturb the currency of the country. It simply empowers the Secretary of the Treasury to give anyone sending a silver dollar a gold one for it. Now, I admit that it would be some advantage to have a gold dollar. I was of the opinion that the gold dollar was still in existence, although there was no effort to coin it, and the reason that I put in my bill a limit of $1 instead of multiples of $5 or $10 was that I came to the conclusion, after inquiring among the people, that they would like to see the gold dollar, the single gold dollar, in existence.

Now, I find out that when that gold dollar can be found it sells for $1.50—50 cents premium. I think if this was restored to the people it would be very popular. They would like to see this gold dollar in existence.

Mr. OTJEN. I do not understand that letter to indorse the issuing of a gold dollar.

Mr. LEVY. No; he does not. But with that exception both Mr. Meline and Mr. Williams say that they are in favor of my bill. It ought to give the power to the Secretary of the Treasury to issue bonds. I think this committee can correct our bills and amend them and bring in a more perfect one. I do not pretend to say that my own is perfect.

The CHAIRMAN. We have Mr. Roberts here to-day, and we have also arranged for Mr. Conant to appear before us. Would not it be better to hear these gentlemen to-day and let us talk some other day?

Mr. SHAFROTH. It is my idea that we will all want to be heard on these bills.

STATEMENT OF HON. GEORGE E. ROBERTS, DIRECTOR OF THE MINT.

Mr. HILL. If there is no objection, I would like to ask Mr. Roberts some questions.

Mr. Roberts, we have two bills here, one providing for the exchangeability of all forms of money; the other providing for the exchangea-

bility of silver dollars, and looking to the gradual retirement of the legal-tender silver dollar by its coinage into subsidiary coin, as required by the interests of the people. Will you give this committee your opinion as to the advisability of making silver certificates exchangeable for gold?

Mr. ROBERTS. I see no necessity for doing so and do not see the advisability of doing so.

Mr. HILL. Whether silver certificates should be made directly exchangeable for gold?

Mr. ROBERTS. The silver certificates are a form of paper used for the convenience of the public as a substitute for the silver dollar. They are not legal tender, and I see no reason to divert either from its original purpose. My own personal preference would be to do away with the silver certificates and let the silver dollars be used themselves.

Mr. OTJEN. The silver certificates having been issued and being out, is there any reason why they should not be made exchangeable for gold?

Mr. ROBERTS. I do not think any serious results would happen if they were; but I see no occasion for doing it and diverting them from the narrow purpose for which they were originally issued.

Mr. SHAFROTH. They do money work all right?

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. All over the country?

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. You pay them out every day at the Government offices and at the banks?

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. And they are redeemed by the silver dollar only?

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. Now, you said that your pleasure was, or that your opinion was, that we should do away with the silver certificate entirely and use the silver dollar instead. Now, why do you say that, when the complaint in every one of the reports is that the silver dollar will not go out and do the money's work, while its paper representative does do it?

Mr. ROBERTS. The people prefer the five and ten dollar certificates, undoubtedly, because of the larger denominations; but I think in the course of time the entire volume would be absorbed as dollar pieces and subsidiary coin. If they were converted into subsidiary coin——

Mr. SHAFROTH. I understood you to say that your pleasure or judgment was that we should do away with the silver certificate entirely, and send out into the money channels and business channels the silver dollar. Now, you answer me by saying that the people take the five and ten dollar certificates preferably, without giving me the reason why you think they should be retired.

Mr. ROBERTS. I spoke of the ultimate end I would like to see accomplished.

Mr. HILL. What would be the effect, in your judgment, upon the future of the silver certificate and silver dollar if both were now made directly exchangeable for gold without any authority at the present time to reduce the volume; would it fix it permanently as a part of our currency, or would it tend in that direction?

Mr. ROBERTS. I think it might tend in that direction.

Mr. LEVY. If you retired the certificates would that be a contraction of the currency?

Mr. ROBERTS. Oh, no; not if the dollars were issued. If you take the dollars out of the Treasury and pay off the certificates with them there will be no contraction of the currency.

Mr. LEVY. In my opinion, that would disturb the circulating medium in the United States.

Mr. ROBERTS. I think it would not be necessary when so many of these are five and ten dollar certificates.

Mr. LEVY. But would it be well for the circulating medium——

Mr. ROBERTS. I think it would not be advisable.

Mr. LEVY. Are not these certificates an aid to the circulating medium of the country? We really have not as much money as we need for the business of the country. Do we not need more money?

Mr. ROBERTS. I think there is an abundance of money in the country.

Mr. LEVY. Do not we hear a great deal of inquiry from different parts of the country for five and ten dollar certificates?

Mr. ROBERTS. A great many of us do not have as much as we want.

Mr. LEVY. In the demands for money for the movement of crops, are not the five and ten dollar bills particularly in demand?

Mr. ROBERTS. Those particular denominations?

Mr. LEVY. Yes, sir.

Mr. ROBERTS. There occasionally arises the demand for specific denominations.

Mr. LEVY. Yes; and then if you entirely depended on the one dollar, would not it create an enormous demand for it?

Mr. ROBERTS. Yes, sir; this demand in the crop-moving season is largely for small denominations anyway.

Mr. LEVY. Fives and twos?

Mr. ROBERTS. Yes, sir; and dollars.

Mr. HILL. Bill 13099 looks to the suspension of the coinage of the silver dollar from the bullion in the Treasury, and the Secretary of the Treasury being permitted to coin that bullion into subsidiary coin in such denominations as he may deem necessary for public requirements, and thereafter, as public necessities may demand, to recoin silver dollars into subsidiary coin. Did you hear the testimony of Mr. White the other day in regard to the amount of the subsidiary coin which the United States could carry?

Mr. ROBERTS. I was not here.

Mr. HILL. Well, he thought there was no reason why they should not carry as much as Germany or some of the other countries; and in answer to a question of mine whether it would be possible to carry $4 per capita, he said not only that but more. Will you state what, in your judgment, it would be possible for the United States to carry and keep in circulation, per capita, of subsidiary coin. I do not mean that in answer to that question you should answer as to what is possible to-day, but what would be possible in the near future, with the silver dollar practically eliminated.

Mr. ROBERTS. I do not know any reason why this country would not absorb as much subsidiary coin as Germany, but I must confess I do not exactly understand how they would absorb as much as $4 per capita.

Mr. HILL. Three dollars and a half they have now.

Mr. ROBERTS. Yes; but later they have raised it to four.

Mr. HILL. Three and a half.

Mr. ROBERTS. It is 10 marks.

Mr. HILL. Fourteen marks.

Mr. ROBERTS. The new law is 14. It has been 10 marks, and the new law makes it 14 marks; but judging by our own experience in the past, I would not think that this country could absorb as much as that per capita.

Mr. HILL. Was not the amount of subsidiary coin carried prior to the use of legal-tender silver dollars—prior to 1860—was not it much larger than it is now?

Mr. ROBERTS. I think it was considerably larger. That is, the amount outstanding was larger, but a great deal of our subsidiary silver went abroad at that time.

Mr. SHAFROTH. What is that question?

Mr. HILL. I asked him whether our amount of subsidiary coin prior to 1860 was not much larger than it is now.

The CHAIRMAN. And his answer is that a large amount of it went abroad at that time.

Mr. COCHRAN. It was coined without limit then and was full legal tender.

Mr. SHAFROTH. Were not the quarter and dime and silver dollar full legal tender?

Mr. ROBERTS. Not after 1853.

Mr. HILL. Prior to 1853, and remained so until 1873 or 1874.

Mr. ROBERTS. Yes, sir.

Mr. HILL. What is the largest per capita of silver coin that has ever been in this country? Do you know?

Mr. ROBERTS. No, sir; I do not know.

Mr. HILL. Will you state to the committee what, in your judgment, under the circumstances I have mentioned, would be the amount per capita that could be kept in circulation in this country?

Mr. ROBERTS. I think larger than it is. Since I have been Director of the Mint we have never been able to meet the orders for subsidiary coin. We have been obliged to cut down the orders very much.

Mr. HILL. How was that last year?

Mr. ROBERTS. The same.

Mr. HILL. The year before?

Mr. ROBERTS. The same.

Mr. HILL. How much more could you have circulated last year if you had had it?

Mr. ROBERTS. I could not tell you that, because the orders were doubtless repeated, but I should think we could have put out a couple of million dollars more last year.

Mr. HILL. How much can you coin in any six months, using the usual facilities of the Bureau?

Mr. ROBERTS. That depends so much upon the demand on the mint for other things.

Mr. HILL. As you would naturally run?

Mr. ROBERTS. The country has absorbed about $5,000,000 a year additional of subsidiary coin for the last four years.

Mr. HILL. And you could have increased that amount if you had had it to put out?

Mr. ROBERTS. We could have increased it quite considerably, but we did not do so, first, for the reason that our facilities were such that

we could not coin it, and, second, for the reason that we were limited by the law.

Mr. HILL. The bullion in the Treasury would make about $80,000,000 of subsidiary coin, wouldn't it?

Mr. ROBERTS. Yes, sir.

Mr. HILL. How long would it take to coin it in the ordinary course of business?

Mr. ROBERTS. You know we will move into the new mint in Philadelphia about the 1st of next July, and then our facilities will be greatly increased; and the new mint at Denver will be opened in the course of eighteen months or two years, and with the two our coinage facilities will be doubled.

Mr. HILL. Supposing that a bill should be passed that "the Secretary of the Treasury is hereby authorized to coin the silver bullion in the Treasury, purchased under the act of July 14, 1890, into such denominations of subsidiary silver coin as he may deem necessary to meet public requirements," in your judgment how long a process would it take, under the terms of that bill, to carry out the terms of that bill?

Mr. ROBERTS. I should think it might be done in five years.

Mr. HILL. The population of the country is now—what?

Mr. ROBERTS. Seventy-six millions.

Mr. HILL. That would give a per capita, if this were carried out, in five years of $2.50 on the present population and probably $2 at the end of five years. In your judgment, would the country absorb $2 per capita of subsidiary coin in the next five years?

Mr. ROBERTS. I would hesitate to say that it would in the next five years.

Mr. HILL. Should you think that if this direction—if any direction—were given in regard to it, it should be an authorization or a direction?

Mr. ROBERTS. I should say it should be an authorization that the Secretary should coin as the business of the country demanded.

Mr. HILL. That it should be an authorization rather than a direction to him?

Mr. ROBERTS. Yes, sir.

Mr. LEVY. How do you arrive at that $2? That would be $150,000,000.

Mr. HILL. I said $2.50. The increase in population would bring it down to $2 at the end of five years.

Mr. LEVY. That would make it $150,000,000 a year.

Mr. HILL. The subsidiary coin would be $150,000,000 if the bullion in the Treasury were coined into subsidiary coin.

Mr. SUTHERLAND. We are coining silver dollars now?

Mr. ROBERTS. Yes, sir.

Mr. SUTHERLAND. Under what clause?

Mr. ROBERTS. Under the clause of the war-revenue act.

Mr. SUTHERLAND. How many dollars have you coined since the enactment of that law to the present time?

Mr. ROBERTS. The act required a coinage of at least $1,500,000 a month. We have slightly exceeded that amount; I could not tell you the exact sum.

Mr. SUTHERLAND. The provision of that law was mandatory?

Mr. ROBERTS. Yes, sir.

Mr. OTJEN. Is there any good reason why the silver dollars now coined should be recoined into subsidiary silver, as this bill 13099 proposes?

Mr. HILL. It authorizes it as public necessities require.

Mr. SHAFROTH. I would like an answer to Mr. Otjen's question.

Mr. ROBERTS. I have already said that I thought the Secretary should be authorized instead of directed.

Mr. HILL. It authorizes him, after getting through with the bullion, to recoin the dollars as public necessities require.

Mr. ROBERTS. As the demand for subsidiary coin increases beyond the amount in the Treasury, I think it would be better to convert the silver dollars into subsidiary coin.

Mr. OTJEN. And leave it at the discretion of the Secretary of the Treasury?

Mr. ROBERTS. Yes, sir. I can not see any way in which it could be abused. This would be returned into the Treasury and redeemed, if redundant. I see no reason why it should not be left to the discretion of the Secretary to supply the needs of the country. And the purpose of making that provision in regard to the dollars is to get them out of the way and convert them into subsidiary coin.

Mr. COCHRAN. Do you think if the dollars were converted into half dollars, for instance, that it would affect the money market in any way?

Mr. ROBERTS. No, sir.

Mr. COCHRAN. It would, however, have the effect of coining legal-tender silver into nonlegal-tender silver?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. Then it would authorize—in fact, direct—the Secretary to take out of circulation a large amount of legal-tender money and substitute therefor money not a legal tender?

Mr. ROBERTS. Its place as legal-tender money would be taken by something else.

Mr. COCHRAN. Is it not true that every dollar coined into subsidiary coin would deplete the amount of the legal-tender money in circulation?

Mr. ROBERTS. It would be a slow conversion of the silver dollars into subsidiary coin, and the place of that money would be taken by some other legal tender.

Mr. COCHRAN. Subsidiary silver—that would not be a legal tender?

Mr. ROBERTS. No, sir.

Mr. COCHRAN. What would take the place of the legal-tender silver?

Mr. ROBERTS. Gold.

Mr. COCHRAN. I mean the money directly taking its place—would it be legal tender?

Mr. ROBERTS. I did not say that.

Mr. COCHRAN. If you coin a silver dollar into two half dollars and it goes into circulation, it ceases to be legal tender?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. This bill gives a discretion to the Secretary of the Treasury to recoin the silver dollars, now a legal tender, and substitute money not a legal tender for debts.

Mr. ROBERTS. Yes; but it is a discretion which I think could not be abused. The money would come back into the Treasury, if it was in excess of the needs, and be redeemed. The silver dollar comes into the Treasury in the same way whenever anybody pays it in in the course of a revenue payment.

Mr. COCHRAN. That is the way the other comes back.

Mr. ROBERTS. No; it is offered for redemption.

Mr. COCHRAN. Going to the question of the bullion in the Treasury,

what is the sum of the bullion available for coinage under this law—what is its coinage value?

Mr. ROBERTS. What is the amount of the bullion now remaining?

Mr. COCHRAN. Available under this act.

Mr. ROBERTS. Sixty-one million ounces, in round numbers.

Mr. COCHRAN. The coinage value of that is about what?

Mr. ROBERTS. In dollars, do you mean?

Mr. COCHRAN. Yes, sir; in dollars.

Mr. ROBERTS. Well, I have not got that figured out. It is at the rate of $1.29 an ounce.

Mr. SHAFROTH. About $80,000,000.

Mr. COCHRAN. What is the present value of the subsidiary silver?

Mr. ROBERTS. About $87,000,000.

Mr. COCHRAN. We would have, then, in the neighborhood of $87,000,000 by coining the bullion in the Treasury?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. In five years.

Mr. COCHRAN. Yes, sir. Now, if this is true, is it probable that in five years there can possibly arise a necessity for encroachment on the silver dollars for the purpose of obtaining silver with which to make subsidiary coin?

Mr. ROBERTS. In five years?

Mr. COCHRAN. Yes.

Mr. ROBERTS. I think not.

Mr. COCHRAN. Do you think, assuming that our increase in business will go on at about the rate of increase during the last two census decades, in ten years more there will be a necessity for any additions to our subsidiary coin beyond the bullion now in the Treasury?

Mr. ROBERTS. I should think not.

Mr. COCHRAN. Then the provision of this bill authorizing the recoinage of the silver dollars simply gives the Secretary of the Treasury a discretion which it is totally improbable could or would be used?

Mr. ROBERTS. I doubt if it would be reached within five or ten years.

Mr. COCHRAN. I mentioned the volume of subsidiary coin in Germany. I will ask you if the coinage of all the foreign countries except Great Britain—particularly France, Germany, and Holland—is not largely encroached on by the small hoards which are held by the people over there in stockings, and so on, to a very much greater extent than in our country.

Mr. ROBERTS. There is a great deal held in that way.

Mr. COCHRAN. And that would measurably account for those countries having so large a volume of subsidiary coinage?

Mr. ROBERTS. That is the only explanation I know of. It seems to me the circulation in Germany seems to be larger than that of France.

Mr. HILL. Great Britain has $2.75 in circulation, about.

Mr. COCHRAN. I understand you also to say that the transactions of the retail market are smaller there than here?

Mr. ROBERTS. Yes, sir; that is true.

Mr. COCHRAN. Is it not true that in proportion to the number of small transactions at the retail counters of the country the necessity for subsidiary coin increases?

Mr. ROBERTS. I do not know that I would want my former answer to stand as I gave it, to that previous question, that the volume of small transactions is greater there. The volume is less.

Mr. COCHRAN. I said that in the transactions of retail concerns the proportion of small transactions is larger there than here.

Mr. ROBERTS. I should think that might be so.

The CHAIRMAN. Now, we have about $87,000,000 of subsidiary coin now. You are authorized to issue $100,000,000 by law. Now, prior to the passage of the act of March 14, 1900, were you limited differently from what you are now?

Mr. ROBERTS. We were. We had a law——

The CHAIRMAN. But you did not regard that limitation?

Mr. ROBERTS. We had rather an anomalous situation. We were limited by law to $50,000,000, and had over $70,000,000. That excess came about by the return of our coin that went abroad. We coined up to the limit, and then our coin came in. When we resumed specie payments in 1879 our coin was worth more for redemption here than it was in South America and Cuba or any other countries as money, and it came back.

Mr. SHAFROTH. What coin?

Mr. ROBERTS. Subsidiary coin.

Mr. SHAFROTH. Did it go abroad?

Mr. ROBERTS. It did during the war. By 1885 the Treasury held $78,000,000 in subsidiary coin, and that was our stock on which we drew down to last March.

The CHAIRMAN. If the demand for subsidiary coin was so great and increasing all the while, why is it that we have not coined up to the limit?

Mr. OTJEN. One hundred million dollars?

Mr. ROBERTS. That limit was only raised last March, and we have been as busy as we could be ever since.

The CHAIRMAN. I understand you did not regard the limit before?

Mr. ROBERTS. We did regard the limit, so far as coining is concerned. We did not coin anything above the limit in this country, but it came back from other countries.

Mr. COCHRAN. That was coin shipped abroad before that time?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. It was old coin back in 1853?

Mr. ROBERTS. In preparing for the resumption of specie payments this act was passed providing for the coining of subsidiary coin not to exceed $50,000,000, and they proceeded to coin up to $50,000,000 and began specie payments under that condition. Then this coin that in former years had gone abroad began to come back and was presented, and that raised the stock rather above the limit.

The CHAIRMAN. What way have you for obtaining the amount of subsidiary coin in circulation except by the amount coined at the mint?

Mr. ROBERTS. That is the way.

The CHAIRMAN. Then how did it happen that you coined above the limit?

Mr. ROBERTS. We knew that a large amount of this old coin had gone out of the country.

Mr. OTJEN. There was no way of knowing that any amount would come back?

Mr. ROBERTS. No, sir.

Mr. HILL. I have a detailed statement here of the amount of subsidiary coin and legal-tender coin in circulation in a number of the

gold-standard countries of the world, which, as a matter of information, I will give to the committee:

	Per capita of subsidiary coin.	Per capita of legal tender.
United States	$1.05	$7.38
Great Britain	2.75	....
Germany	2.85	1.63
France	1.54	9.40
Austria-Hungary	1.00	1.08
Australasia	1.85	.00
Canada	.90	.00
Denmark	2.43	.00
Sweden	1.58	.00
Switzerland	8.45	.00

Mr. SHAFROTH. I wish to ask you a few questions. I would like to ask you whether or not the making of the silver dollars redeemable in gold will not produce another large "endless chain" on the gold in the Treasury.

The CHAIRMAN. You mean exchangeable.

Mr. SHAFROTH. I mean exchangeable or redeemable—either one.

Mr. COCHRAN. I would like to have some gentleman who insists on that word to tell me the difference.

The CHAIRMAN. I have an idea that there is a difference——

Mr. COCHRAN. In the effect of it?

The CHAIRMAN (continuing). That if a dollar was redeemed, it was redeemed not to come out again, perhaps; it was paid and canceled.

Mr. SHAFROTH. Well, then, exchangeable; I don't care which word you use.

Mr. GAINES. It is not so much a matter of law as a matter of acquiescence in private contract.

Mr. COCHRAN. It is redeemed; but it is reissuable, so that it goes out again.

Mr. SHAFROTH. Exchangeability, then; I do not care which way you put it. We know they are not to be retired by law, at least.

Mr. ROBERTS. In answer to your question, Mr. Shafroth, I do not take very much stock in the talk about an endless chain. There is a legitimate demand on the Government, there is a legitimate demand for gold for export, and it must be supplied, and that is the only demand there is unless there is some occasion for fear that unless a man gets gold now he will not be able to get it in the future. Now, if that fear is removed, I do not see that there will ever be any demand on the Treasury except for the legitimate demands for export.

Mr. OTJEN. That must be supplied anyhow.

Mr. ROBERTS. Yes, sir; anyhow.

Mr. SHAFROTH. Why was it that the demand on the Treasury was so great for a time following 1893 by the redemption and presenting to the Treasury of greenbacks and Sherman Act notes.

Mr. ROBERTS. I think a combination of causes produced that effect. In the first place, by the action of the Sherman purchase law we were adding to the currency of the country more than our proportionate distributive share of the world's money. It made the currency redundant in this country, and there was a tendency for it to slop over and go to other countries.

Mr. SHAFROTH. Do you think there was a redundancy in 1897?

Mr. ROBERTS. I think so. There had been for several years. During all the time we bought silver under the Sherman purchase act we were expelling gold to the amount of our silver purchases.

Mr. SHAFROTH. Was not that expulsion caused by the demand for gold from other countries?

Mr. ROBERTS. The immediate cause of export can usually be traced to what you call a legitimate demand; that we buy something abroad and have to pay for it; but if your currency is redundant in this country, it brings about that condition.

Mr. SHAFROTH. How—by the elevation of prices?

Mr. ROBERTS. Yes, sir; that is one way; and by the lowering of interest rates and a better demand for money abroad.

Mr. SHAFROTH. Do you regard an elevation of prices caused by the quantity of money, unless it is too great, as detrimental to a nation?

Mr. ROBERTS. You can not put the prices in this country on articles of international and universal use above the prices in the world's market. There is no advantage in attempting to do it.

Mr. SHAFROTH. The question was whether you regarded such an elevation of prices as detrimental to the interests of the nation.

Mr. ROBERTS. I would. If you attempt to put prices in this country by any method above the prices abroad, it will not result in the advantage of this country.

Mr. SHAFROTH. Do you think that the prices of 1893, 1894, 1895, and 1896 indicated very much of a redundancy in the currency when the prices were at the stand that they were?

Mr. ROBERTS. There was, as I have said, a combination of influences to cause gold export at that time. There was a special demand for money abroad; there was a general fear pervading the world that we might leave the gold basis and that our securities might not be paid in gold coin, and all that tended to send back our securities from abroad and to create a balance of trade against us and a movement of gold out.

Mr. SHAFROTH. Was there any large increase in the silver certificates or the silver dollars that came back to the Treasury?

Mr. ROBERTS. The importers paid their customs dues largely in silver certificates.

Mr. SHAFROTH. Was not that because there was a great demand for gold to be shipped out?

Mr. ROBERTS. After the hard times began there was a great accumulation of money in the money centers.

Mr. SHAFROTH. Now, if the imports of this country should become greater than the exports, and you were to have this large quantity of silver dollars redeemable in gold, would not its tendency be to very much aggravate the endless chain on the Treasury?

Mr. ROBERTS. I think not. I think you must meet the legitimate demand for gold for exports; you can not evade it. You must keep your money as good as gold. If you do not meet the demand it will force itself on the market and bring about a gold premium. If you want to avoid that you must furnish the gold.

Mr. SHAFROTH. If the greenbacks and silver in the Treasury were all made redeemable in gold would not persons have to find that gold in the markets of the United States, where they legitimately should?

Mr. ROBERTS. If the Treasury is exhausted.

Mr. SHAFROTH. Suppose we had nothing but gold, no currency but gold?

Mr. ROBERTS. Unquestionably they would have to find it in the markets of the United States. There would be no burden to support.

Mr. SHAFROTH. When you make that burden on the gold reserve as light as possible, do not you come as near that condition as it is possible to get?

Mr. ROBERTS. As a matter of fact, we have other kinds of money than gold. We have Government paper.

Mr. SHAFROTH. Certainly, but in limited quantities.

Mr. ROBERTS. And we have the silver dollar, which is not available for exports. Now, the Government has put out this money and pays it out at a par with gold, and receives it as a full legal tender, and its citizens are compelled to receive it. When a man has occasion to use gold for export and has silver dollars and certificates in his hands which he has been obliged to take, the Government ought to furnish him that kind of money which he needs for his transactions.

Mr. SHAFROTH. I am not asking you as to the expediency or morality of the matter. What effect does this have on the gold reserve?

Mr. ROBERTS. It does not make this burden any greater, because this demand must be met for gold. But you could relieve all this trouble best by settling the money question and by settling the question as to the par value of all of our money.

Mr. SHAFROTH. You think you can increase the promises to pay in gold upon the gold reserve without making the burden upon the gold reserve any greater?

Mr. ROBERTS. I do. That should not be construed to mean that I think the Government should go on and increase its promises unequally to the volume of money; to the volume of money now in circulation.

Mr. SHAFROTH. If you had $500,000,000 additional of promises to pay in the shape of silver dollars, exchangeable for gold, do I understand you to say that it would not increase the burden upon the gold reserve?

Mr. ROBERTS. Not a particle. They force those dollars back on you now; they come into the Treasury now in the place of gold.

Mr. OTJEN. The Government assumes the responsibility now?

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. You are speaking of the obligation of the Government to give us a dollar as good as the gold dollar, or that is worth as much as the gold dollar. Does not the world take these dollars at a gold dollar's worth?

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. And is not that a recognition of its being a gold dollar's worth?

Mr. ROBERTS. Yes, sir. I do not think it would add anything to the burden if it undertook to give a gold dollar.

Mr. COCHRAN. Referring to your statement that the increase in the price of export commodities subsequent to the passage of the Sherman law—you said that the increase in the price of export commodities in that period was but one of the reasons of the balance of trade against us.

Mr. ROBERTS. I said that was one of the causes; I do not think it was a material one at that time.

Mr. COCHRAN. Was there, in fact, any increase at that time in the price of export commodities; I mean corn, beef, pork, wheat, and cotton, for instance?

Mr. ROBERTS. I do not remember the range of prices at that time. Prices were very good in 1892.

Mr. COCHRAN. Is it not a fact that in the season of 1889 and 1890, and the season of 1890 and 1891, that the prices of cereals in the West were so low that in some neighborhoods the crops were allowed to rot in the fields without being harvested?

Mr. ROBERTS. I do not recollect.

Mr. COCHRAN. Is it not true that at that time, and during the years 1893, 1894, and 1895, we exported more wheat than we did in any one of the three succeeding years, and received vastly less money for it?

Mr. ROBERTS. I do not remember as to the range of the prices. We exported a great deal of wheat at that time.

Mr. COCHRAN. Is it not true that the balance of trade, which became a menace to the gold stock of this country in 1893, was largely occasioned—almost solely occasioned—by the low price of export commodities in previous years and that year?

The CHAIRMAN. I did not quite catch that question.

Mr. COCHRAN. I say, is it not a fact, that the balance of trade against us, which became a menace to the gold stock of the country in 1893, was largely occasioned by the low price of export commodities in the three or four preceding years?

The CHAIRMAN. Was there a balance of trade against us in those years?

Mr. COCHRAN. I should say so.

Mr. ROBERTS. I do not think there was, in what is called commerce.

Mr. COCHRAN. Has there in any year of our history been a balance of trade against us, as far as commodities are concerned?

Mr. ROBERTS. I do not think so.

Mr. COCHRAN. By balance of trade I mean the balance upon full settlement of all transactions of the year between the people of the United States and foreign countries. The commodity balance has been in our favor unvaryingly, has it not?

Mr. ROBERTS. I do not think the amount of our securities is included in the balance of trade. It is not included in the Treasury balance of trade.

Mr. COCHRAN. The Treasury balance of trade is largely, at best, mere guesswork, is it not?

Mr. ROBERTS. I do not think it is.

Mr. COCHRAN. Recurring to our trade relations with foreign countries in the early nineties, was there not, in the years preceding 1892, a succession of financial disasters in foreign countries largely affecting their money markets?

Mr. ROBERTS. There was—affecting the foreign money market.

Mr. COCHRAN. Was there not locked up in Australian savings institutions that had failed and gone into the hands of receivers over $80,000,000 of British capital?

Mr. ROBERTS. There was a large sum.

Mr. COCHRAN. Was not there a large sum locked up on account of the Baring Brothers' failure?

Mr. ROBERTS. I think there was.

Mr. COCHRAN. Did not the gold movement from this side begin on account of the stringency in the foreign money markets caused by these disasters?

Mr. ROBERTS. There is no doubt about that.

Mr. COCHRAN. Was not that stringency in London so great that, in

addition to calling in all available balances due from foreign countries, the Bank of England had to make a large loan of the Bank of France?

Mr. ROBERTS. There was a loan made.

Mr. COCHRAN. Do you not think that these conditions abroad are sufficient to account for all the trouble here, and that it was not necessary for the officials of the Federal Government to assail the credit of the Government by charging up gold exports to a want of confidence in the solvency of the Government?

Mr. ROBERTS. I do not think the Government did commit an assault on the credit of the Government.

Mr. COCHRAN. Did not the cry of "want of confidence" originate in the Government Departments, and was it not actively circulated from the White House?

Mr. ROBERTS. I do not know any such thing.

Mr. COCHRAN. Did not the people, when they began hoarding money, hoard more silver certificates than any other form of money?

Mr. ROBERTS. I do not know that they did. My observation was that if a fellow could get some gold he would put it in a tin can and keep it.

Mr. COCHRAN. Is it not the history of that period that on account of the hoarding of all kinds of money the scarcity of currency in New York City became so great that there was a premium on silver certificates and silver dollars and all forms of money of small denominations?

Mr. ROBERTS. One of the incidents of that time was that the people became afraid, not merely of the currency of the country, but also of the banks, and of course they hoarded all kinds of money.

Mr. COCHRAN. Now, you have said there was a want of confidence in the maintenance by the Government of the par value of the money of the country, and that this was one of the causes of the withdrawal of gold; you say, also, that the demand for gold for export must be met; you say that the panics in Australia and South America were the prime causes of the movement of securities to this country; do I understand you right?

Mr. ROBERTS. I think it was one of the principal causes.

Mr. COCHRAN. And you say that the movement of the securities occasioned gold imports?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. Putting those propositions together, was not an export of gold inevitable?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. Did it indicate in any degree a want of confidence in the currency of this country?

Mr. ROBERTS. No; the movement of the gold out, no matter what caused it, brought about the difficulty, and the question began to be asked, How long could this movement go on without the currency of this country going to a discount? How long could the Government meet this demand—no matter what caused this demand—how long could it be met?

Mr. COCHRAN. You say the Government should meet the demands of the export trade in gold?

Mr. ROBERTS. The Government should convert that part of its money which is not available for exports into money which is available for exports.

Mr. COCHRAN. But should carefully avoid any premium on gold resulting from exports?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. What other country observes that policy?

Mr. ROBERTS. They have their currency in such form that there is no reason for them to have any such fear.

Mr. COCHRAN. Well, let the affairs of the country take care of themselves, and answer this question: What other country observes the policy of preventing a premium on gold when there is a demand for it for export?

Mr. ROBERTS. No other country that I know of has any such proportion of its money consisting of money not available for exports.

Mr. COCHRAN. Does any other country attempt to prevent a premium on gold when there is a great necessity for it for export?

Mr. ROBERTS. If the liabilities of the country are not the same, there is no parallel.

Mr. COCHRAN. Do they do it?

Mr. ROBERTS. There is no occasion for their doing it.

Mr. COCHRAN. Do they do it?

Mr. ROBERTS. They do not.

Mr. COCHRAN. Do they not, on the contrary, place a premium on gold to prevent exports? Is this not done by manipulation of the exchanges and interest rate in London, and by the refusal of the Bank of France to redeem its notes in gold, which causes a slight premium on gold?

Mr. ROBERTS. I am not aware of any such thing of that sort.

Mr. COCHRAN. Does not the Bank of England frequently advance the discount rate solely for the purpose of preventing gold exports?

Mr. ROBERTS. It does.

Mr. COCHRAN. This increased bank rate is tantamount to a premium on gold, is it not?

Mr. ROBERTS. It is charged for money, so that they will go and borrow their money elsewhere.

Mr. COCHRAN. What proportion of the gold coinage of England is known there as "abraded coinage?"

Mr. ROBERTS. They have been reforming their coinage, so that it is changing very much, and I could not say.

Mr. COCHRAN. They have tried, and, I think, in vain, to make satisfactory provision for the recoinage of a large amount of abraded coin. Is it not true that in Great Britain there is in circulation a large amount of gold coin of light weight and therefore not received at the Bank of England, but which goes through the provincial banks and circulates freely in the channels of trade?

Mr. ROBERTS. There has been.

Mr. COCHRAN. The abrasion of this coin prevents its exportation?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. And so it remains in circulation in England all the time?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. And the full-weight coin finds its way largely into and out of the Bank of England in the course of trade?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. Then, when the Bank of England puts up the rate of discount, it has the effect of diminishing the money supply—that is, of cutting down the credits?

Mr. ROBERTS. It has the effect of inducing people not to borrow

money and to pay off their debts, and that causes an accumulation of money in the bank.

Mr. COCHRAN. It is done solely to prevent gold exports?

Mr. ROBERTS. Yes; they quit loaning money abroad. Of course, that stops gold exports.

Mr. COCHRAN. They put up the rate at home?

Mr. ROBERTS. Yes, sir; that is their way of stopping loans. When rates go up at home, the money does not go abroad seeking higher rates.

Mr. GAINES. All of the half-dollars, quarters, dimes, and half-dimes coined previous to 1853 were full legal tender?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. They contained, respectively, one-half, one-quarter, one-tenth, and one-twentieth of the same amount of pure metal that the silver dollar contained?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. These coins coined previous to 1853 remained full legal tender down to 1873 or 1874?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. And both gold and silver during all this period—before 1873—were open to free coinage under the law?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. Now, this subsidiary coinage that you are speaking of coining here will not be a full legal tender, will it?

Mr. ROBERTS. No, sir.

Mr. GAINES. To what extent will it be so?

Mr. ROBERTS. Ten dollars, I think.

Mr. GAINES. You can not pay any debts, then, of more than that, unless, of course, by agreement, with this coin; but I am talking about legal demand and payment of a debt for over $10 with this subsidiary coin; that would be its effect?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. Whereas with this other coinage, struck before 1853, you could pay any debt to any amount?.

Mr. ROBERTS. Yes, sir.

Mr. GAINES. Now, you are speaking of the coinage of silver dollars into this subsidiary coinage. As the law now stands the silver dollar is full legal tender and this small coinage you speak of would be nonlegal tender?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. Now the silver certificates are redeemed or are represented by the silver dollars, and you can take a certificate to the Treasury and get a silver dollar for it?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. When you coin these silver dollars into this subsidiary coinage, what is to redeem these silver certificates which are out in the country doing work?

Mr. ROBERTS. They would have to be redeemed, of course.

Mr. GAINES. By what or in what?

Mr. ROBERTS. By the silver dollars.

Mr. GAINES. If you coin the silver dollars into subsidiary coin, you will not have them to redeem the certificates with.

Mr. ROBERTS. Yes; but I mean the free silver dollars.

Mr. GAINES. If you coin the silver dollars which are on deposit, then the silver certificates would not have any redeemers.

Mr. ROBERTS. It would have to be redeemed before we could coin it.

Mr. GAINES. If you coin all the silver dollars on deposit into subsidiary silver coinage, then the silver certificates which are out doing the work would have nothing to redeem them.

Mr. ROBERTS. The Government receives every day a large amount of silver certificates. If it wanted to redeem them it could hold them.

Mr. GAINES. But if you have coined the silver dollar, how can you redeem the certificate?

Mr. ROBERTS. I would not, except as the certificates are retired.

Mr. GAINES. Oh! Then you would first have to call in all the silver certificates before you could coin the dollars.

Mr. ROBERTS. Yes; and that would be a very slow process. It would take a great many years.

Mr. GAINES. To do what?

Mr. ROBERTS. To convert any great number of silver dollars into subsidiary coin. In the first place, the country could not absorb the subsidiary coin very rapidly.

Mr. GAINES. You talk about absorbing. I will ask you if the country has not already absorbed and is not very rapidly absorbing that money in the South? Has not it absorbed the silver certificate or the silver dollar, and are not those moneys the only moneys that are used in the South in the daily transaction of business?

Mr. ROBERTS. They use a great many silver dollars in the South.

Mr. GAINES. Will you tell me why it is that the silver and the paper representative of silver are the only money we have in the South?

Mr. ROBERTS. I think it is because the Government ships the silver dollars free.

Mr. GAINES. Does it not ship them free elsewhere?

Mr. ROBERTS. Yes, sir; but the saving to a bank is not so much elsewhere.

Mr. GAINES. Does it not ship the gold free, too?

Mr. ROBERTS. No, sir.

Mr. GAINES. Who pays for the shipment of the gold?

Mr. ROBERTS. The bank.

Mr. GAINES. Does the Government pay for the shipment to Nashville, Tenn., say?

Mr. ROBERTS. No, sir.

Mr. GAINES. Why is it that the silver certificate is three-quarters of the money used in daily business down there?

Mr. ROBERTS. The silver certificates are a very large portion of the circulation of the country. It is quite natural that they should be in use everywhere.

Mr. GAINES. Everywhere?

Mr. ROBERTS. I do not suppose the silver certificates are any more in use in the South than they are anywhere else.

Mr. GAINES. The gold is used very much more in New York and the East than anywhere else. I was trying to find out why in the South we pay for everything in paper money and the debased silver dollar, and in other sections of the country they have gold.

Mr. OTJEN. Is it true that they use the silver certificate in the South solely and not in other parts of the country?

Mr. ROBERTS. No; the silver is in use in the South and the West. The coin itself is there.

Mr. LEVY. But there is more silver in New York than in the whole South.

Mr. GAINES. I want to state the fact that we do not have any gold in circulation in the South.

Mr. MINOR. Is it not true that your business transactions are such that silver best meets your necessities?

Mr. GAINES. I do not know. The South is a pretty good cotton country and manufacturing country, and I can not understand why the people have this debased money and do not have the gold in circulation.

Mr. MINOR. They love it best.

Mr. GAINES. We generally stick to the money of the Constitution, and the Constitution, too. [Laughter.] I want to know why we are paid off in chips and white stones and the other people get the gold.

Mr. SHAFROTH. I think the chips and white stones are just as good as the brick.

Mr. GAINES. Now, Mr. White the other day entertained us a long time on the subject of scientific money, and, in other words, he said that our only money was gold.

Mr. ROBERTS. The question of what is money has had books and books written about it.

Mr. GAINES. He said that gold was our only money.

Mr. ROBERTS. I have always rather adhered to the philosophy that anything that served the purpose of money would be money.

Mr. GAINES. I want to get down to what is really our money. I am asking the question seriously. If it is gold, then I want to know why it is——

Mr. ROBERTS. Our money is gold and silver, Government paper and bank paper.

Mr. GAINES. Then I want to ask you, assuming that our gold is our only money, real money, why is it that in making up the per capita statements that go out all over the country—and particularly in Republican speeches—all our paper and our silver and other money used by the Government is taken into consideration in making up our per capita?

Mr. ROBERTS. Gold is our standard money. All other forms pass at the standard of gold and take their value from it.

Mr. GAINES. How much is our gold coin in this country?

Mr. ROBERTS. We have 76,000,000 people and $1,000,000,000 of gold; about $15 per capita.

Mr. HILL. The next report out will show that we had $1,020,200,000, or $13.37 per capita on January 1, 1900. The amount January 1, 1901, was $1,108,541,829.

Mr. COCHRAN. And that proceeds upon the theory that prior to 1876 there was in the neighborhood of $5,400,000,000.

Mr. GAINES. The money that is held under the 15 and 25 per cent clause in the banks throughout the country is actually held in the banks, is it not, and they are not allowed to pay it out?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. How much does that amount to?

Mr. ROBERTS. I could not answer that.

Mr. GAINES. Is that money that is actually held in the banks and not paid out taken into consideration in making this per capita circulation that is published day by day?

Mr. ROBERTS. Oh, yes.

Mr. GAINES. The statement to that effect is practically a mistake, is it not, because this money is not in actual circulation and can not be put into circulation?

Mr. ROBERTS. That is in that form.

Mr. GAINES. Of course there is a difference in locking up a thing and going off and leaving it, and leaving it open, so that it can flow out. This money under these two clauses is locked up and can not be put in motion, and yet in making up these per capita circulation estimates it is taken into consideration.

Mr. HILL. There is no difference between the money in the bank and the money in my pocket, is there?

Mr. ROBERTS. The money in the bank is the most effective money in this country.

Mr. GAINES. Now, Mr. Roberts, this bill is a bill to continue and perpetuate and more firmly fix the parity between our gold and silver coin.

Mr. ROBERTS. Yes, sir.

Mr. GAINES. What produces the disparity between those two coins?

Mr. ROBERTS. The fact that the silver coin is not available for all the purposes for which the gold coins are.

Mr. GAINES. A gold coin is available for all purposes?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. Then, just to the extent to which you make gold contracts which prohibit the use of silver, to that extent you produce a disparity in that money.

Mr. ROBERTS. I do not think that is the effect of the contracts themselves, unless you may say that there is an indefinite sentimental effect which might have that result.

Mr. GAINES. If I should make a gold contract with you for $50,000,000—that is, to pay you $50,000,000 in gold—and I should offer you to pay it with $50,000,000 in silver, I could not in law make you take it.

Mr. ROBERTS. No, sir.

Mr. GAINES. I contend that these gold contracts are not constitutional; but I could not make you take it, and to that extent I would stop the use of all kinds of money.

Mr. ROBERTS. I never heard of gold contracts being consummated in anything but gold coin. They are an insurance against a possbile break of the parity. These provisions are put in a contract for fear that Congress might change the money standard of the country.

Mr. GAINES. I could not make you take the silver money under the contract unless it was in the contract, and I could not make you take payment in any other money than gold.

Mr. ROBERTS. No, sir.

Mr. GAINES. Then to that extent we produce by this contract an actual disparity between gold and silver and all other money.

Mr. ROBERTS. I do not admit that.

Mr. HILL. Does not the fear of disparity make the gold contracts, rather than the gold contracts make the disparity?

Mr. GAINES. A citizen ought not to be permitted to have a right to continue to add to the fear and trouble by these private contracts.

Is it not true, Mr. Roberts, that a gold contract is an assumption by the parties thereto of the right to say what is and what is not, or what shall be and what shall not be, a tender in the payment of that particular debt?

Mr. ROBERTS. It is the assumption of the right to make a contract.

Mr. GAINES. It is an attempt to say what shall pay it.

Mr. ROBERTS. It is just like a contract to deliver paper.

Mr. GAINES. A gold contract is an assumption upon the part of the parties to that contract that gold only shall be tender and that silver shall not be tender.

Mr. ROBERTS. I think the Supreme Court of the United States has said that a gold contract is a contract to deliver a certain amount of gold of a certain weight and fineness, and therefore enforceable.

Mr. GAINES. I made my question in regard to a gold coin, not a gold commodity, contract. If I agree to pay you $50,000,000 in gold coin and nominate it in the contract, then I can not pay you in anything else. Such a contract discredits all other moneys save gold, does it not?

Mr. ROBERTS. Such contracts are never paid in gold; therefore I would not admit that it had that effect.

Mr. GAINES. Upon your interpretation of the law you could enforce it?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. And they do call for such judgments?

Mr. ROBERTS. Yes, sir.

Mr. GAINES. Then to that extent they discredit the use of other money and disparage the parity between our two money coins?

Mr. ROBERTS. I am not prepared to admit that.

Mr. GAINES. How many gold contracts are made in the United States?

Mr. ROBERTS. I could not tell you.

Mr. GAINES. Are not all our railroad bonds made payable in gold on their face?

Mr. ROBERTS. A great many are, especially those that go on the market abroad.

Mr. GAINES. Do not they make all their contracts in this country in gold?

Mr. ROBERTS. That I really could not say. A great many are made so. I would not say it is the rule. I do not know.

The CHAIRMAN. We have Mr. Conant here, and we have also invited some members from the Banking and Currency Committee here, and we have no authority to sit after 12 o'clock, and I suppose we are obliged to adjourn this hearing now. The time has arrived.

Mr. HILL. I want to ask just one question. Mr. Roberts, you have stated that if authority were given to coin the bullion into subsidiary coin, in your judgment it would take five years, under the provision of any bill authorizing the recoinage of silver dollars, to carry it into effect?

Mr. ROBERTS. Yes, sir.

Mr. HILL. And the question has been raised by some of the members of the committee as to the effect upon the volume of the legal-tender money of the country by the recoinage of the silver dollar into subsidiary coin. That would not occur before five years, in your judgment. Now, I make the statement that during the past five years the gold stock of the country was increased over $500,000,000—from $599,000,000 to $1,099,000,000—and I wish to ask you whether, in your judgment, there is any danger whatever of the reduction of the volume of the legal-tender currency, in view of the probable increase of gold

in the next five years, before the recoinage of these silver dollars could begin; and further, in your judgment, as to what is the probability of a further increase of the gold stock of the country.

Mr. ROBERTS. I think there is no occasion for disquietude at all on the subject of the money supply as long as anybody in this room should be interested in it. The production of gold is going on at an unprecedented rate in all the gold districts of the world, and will probably reach $400,000,000 per annum shortly after the Transvaal mines are again in operation.

Mr. SHAFROTH. Is not there a great disquietude rife now throughout the entire world over the gold supply and the increased demand made by the various countries for gold. Is not England to-day in a frightful condition?

Mr. ROBERTS. I think not. Business has been very active in England and in Germany, and has extended——

Mr. SHAFROTH. Is not Russia buying gold right now to put in its reserve?

Mr. ROBERTS. Russia is getting gold in order to complete its railroad across Siberia.

Mr. SHAFROTH. Is not it on account of the fact that she has expended large sums of gold and has to-day very little, whereas six years ago she had $700,000,000?

Mr. ROBERTS. Russia has dollar for dollar in the treasury against her paper outstanding.

Mr. SHAFROTH. But her reserve has been very much reduced.

Mr. ROBERTS. Yes, sir.

Mr. SHAFROTH. How much is in the treasury?

Mr. ROBERTS. Four hundred million dollars. She has redeemed her paper.

Mr. SHAFROTH. You stated a while ago that the making of the silver dollars redeemable in gold would not affect the reserve. If you should substitute greenbacks for silver and make them redeemable in the gold, would that increase the burden upon the gold reserve?

Mr. ROBERTS. No, sir.

Mr. SHAFROTH. It would not?

Mr. ROBERTS. No, sir.

Mr. LEVY. You stated that in 1893 and 1896 the cause of the panic—was not it a fact that the cause of the withdrawal of the gold was that the people hoarded over $600,000,000, and second, the uncertainty of what we were to do in the future?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. The balance of trade did not occasion it?

Mr. ROBERTS. The movement of gold out of the country occasioned that fear.

Mr. COCHRAN. It all comes back to the proposition that the real difficulty was the movement of the gold out of the country?

Mr. ROBERTS. Yes; the people saw the money going and did not know how long it would be—how long the Government could stand it.

Mr. COCHRAN. They were afraid they would not get gold, and so they hoarded silver. [Laughter.] Italy and Austria are both on a paper basis now?

Mr. ROBERTS. Austria is practically on the gold basis.

Mr. COCHRAN. Is not the Austrian currency to-day—the currency they do business with—a depreciated paper currency, nonredeemable?

Mr. ROBERTS. I think not.

Mr. COCHRAN. When did they begin redemption?

Mr. ROBERTS. The Austro-Hungarian Bank has furnished the gold practically as required for the last two years.

Mr. COCHRAN. Is it a fact that one of the occasions of the gold panic of 1893 was the appearance of Austria in the market as a purchaser, and the purchase by Austria of $94,000,000 of gold, the object being to obtain a sufficient gold reserve to resume specie payments, which had been suspended in Austria for a generation?

Mr. ROBERTS. I do not know.

Mr. COCHRAN. Did not Austria abandon the movement because she could not obtain sufficient gold reserve?

Mr. ROBERTS. No; she did not.

Mr. COCHRAN. Is Italy on the paper basis?

Mr. ROBERTS. Yes, sir.

Mr. COCHRAN. Should Italy undertake to resume specie payment, where could she obtain gold sufficient for the purpose?

Mr. ROBERTS. She could accumulate it in the London market as fast as she could pay for it.

Mr. COCHRAN. If she should offer gilt-edge bonds to-day and offer to exchange them for, say, $300,000,000 of gold, is there anywhere surplus gold sufficient to meet the demand?

Mr. ROBERTS. No market would do it all at once.

Mr. COCHRAN. In a year where could it be done?

Mr. ROBERTS. It takes time to do it.

Mr. COCHRAN. Then, after all, gold is not so abundant and redundant that all the countries can afford the gold standard?

Mr. ROBERTS. Whatever is the standard is always in use, and you can not change that standard without occasioning some alarm and inconvenience.

Mr. SHAFROTH. Does not that slow process also affect prices, but not so readily?

Mr. ROBERTS. Not if it is met by the reproduction from the mines.

Mr. SHAFROTH. No; of course not.

Mr. GAINES. I desire to make a request of Mr. Roberts, and that is to give me a detailed statement showing the amount of money held in the banks of the country under what is known as the 25 and 15 per cent clause, and to put it in as a part of his remarks.

Mr. ROBERTS. Very well.

Thereupon the committee adjourned until Monday morning, January 21, 1901, at 10 o'clock.

TREASURY DEPARTMENT, BUREAU OF THE MINT,
Washington, January 18, 1901.

Hon. J. H. SOUTHARD, *House of Representatives.*

DEAR SIR: In the course of my examination yesterday Mr. Gaines asked me to state the amount of the bank reserves of the country, and as I was unable to give it at the time, requested that I furnish it to go in the record.

In compliance with this request, I would say that at the date of the last public statement made by the national banks, to wit, September 5, 1900, the total deposits of the national banks were $3,280,985,590.84. The required reserve was $684,127,497.59, and the reserve held was $983,333,239.80. A considerable part of this reserve was, however, deposited with banks in the central reserve cities, New York, Chicago, and St. Louis, and the actual cash held in all national banks was $518,474,903.71. It is a manifest error to count bank reserves as money tied up and useless. It is the most

effective money in the country. For the week ending January 12 last, the banks paid through the clearing house to which they belong debts amounting to $2,709,810,241.22, or about five times their actual cash holdings. The banks of New York City paid in one day checks and drafts amounting to $416,000,000, or twice the amount of cash they held in their vaults. It would have been impossible to make that amount of money discharge that amount of debt to so many people in one day save by the agency of the banks and clearing houses.

This money was, therefore, more effective in the banks than it would have been in the pockets of depositors.

Very truly, yours,

GEO. E. ROBERTS,
Director of the Mint.

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES,
HOUSE OF REPRESENTATIVES,
Monday, January 21, 1901.

The committee met at 10 o'clock a. m., Hon. Edward S. Minor in the chair.

The CHAIRMAN. We will proceed with the hearing on these bills, No. 13032 and No. 13099. I understand there is a gentleman by the name of Conant present who desires to be heard.

Mr. HILL. Yes, sir.

The CHAIRMAN. If you would like to be heard, Mr. Conant, the committee is ready.

STATEMENT OF MR. CHARLES A. CONANT, REPRESENTATIVE OF THE NEW YORK JOURNAL OF COMMERCE IN WASHINGTON, D. C.

Mr. CONANT. I came here on the invitation of the chairman. I am in favor of making gold and silver interchangeable, for the reasons which have been set forth by the Director of the Mint and the Secretary of the Treasury. I do not know that I can add very much to what they have said, but perhaps I may throw some little side light upon certain features of the question. I think it has been pointed out that the Government already does redeem silver by receiving it for public dues; therefore very little, if anything, is to be gained by refusing to exchange it directly. And I think, as the Secretary of the Treasury points out, that it is better, if you must do a thing, to do it openly of your own free will than to be forced to do it indirectly and against your will. It is better for a man to pay his debts voluntarily than involuntarily. It inspires more confidence in his solvency and probity. There is no reason why the Government should not take the same pains to sustain its credit in its transactions that an individual would in his private business.

The fact that silver is received for public dues and that that constitutes practical redemption is no mere theory. It was strikingly illustrated during the years when gold clearings were suspended at New York; that is, when both the banks and the Treasury stopped paying gold certificates and paid other money. For a long period, beginning in 1892, I think, when gold exports became large—that is, before the nominal outbreak of the panic—the Treasury gold was reduced and the Treasury suspended the payment of gold at the clearing house and the banks thereupon suspended such payments. There has been some discussion as to which did it first, but it is immaterial for this discussion.

Gold payments were, in fact, suspended, which had been theretofore made chiefly in gold certificates. The report of the Treasurer shows just what these settlements were every month.

Just to name a few illustrative months, in January, 1891, the gold certificates paid out in the clearing-house settlements at New York by the Government were $18,937,900. They fell below this amount, but the Treasury continued to pay gold intermittently through the summer of 1892, when the gold payments dropped down below $5,000,000 in June, and in August to nothing, and thereafter gold certificates were not paid at all, with trifling exceptions, until September, 1899. Thereupon the banks in their settlements, especially for customs, adopted the same policy. Where the customs payments in January, 1891, consisted of gold certificates to the amount of 88.5 per cent of the total payments they rapidly fell off until in June they were only 12.3 per cent. Then, with a temporary revival for a few months at one time, they practically disappeared from the customs payments.

Mr. SHAFROTH. When was that?

Mr. CONANT. Gold was still paid freely in January, 1891, but it began to drop off immediately after that. That was before the panic, two years before; but you see the Treasury gold was diminishing and the Baring Brothers failure had occurred, and the disturbances in London had followed. During December, 1891, and January, 1892, the payments of gold certificates ran as high as 66⅔ per cent again, but thereupon immediately dropped off, and were never so high thereafter. I suppose in the winter money flowed back to New York and they had plenty of gold certificates and paid them in, but after August, 1892, until the fall of 1899, the proportion of gold certificates paid in for customs at New York was never more than 10 per cent, and, in fact, there were none paid at all for year after year—1895, 1896, 1897, and 1898. Some gold coin was paid in 1893. The Treasury had exhausted all its other money and paid out gold, and some of it came back. The proportion of silver certificates paid for customs had been very trifling in 1888, 1889, and 1890, and down to the spring of 1891, but in May, 1891, 26.8 per cent of the customs were paid in silver certificates. Conditions did not change for a year or two, and silver payments ran down to 15 per cent, or similar figures, until the spring of 1893.

In April, 1893, the percentage of silver certificates was 23.3 per cent, and it ran up pretty steadily, until in February, 1894, it was 59.3 per cent, and it was very considerable thereafter. But in addition to the silver certificates the Treasury notes issued under the Sherman law were used as being the next worse money. The banks, of course, first dispose of the money they consider the least trustworthy, and then when that is gone of that which is the next worse, and so on. The silver certificates were taken as the least trustworthy, and after that the Sherman notes, and then next the United States notes, for even those were subject to some suspicion for a time as to whether they would be redeemed in gold. But not enough gold certificates to equal 1 per cent were paid from 1894 down to the summer of 1899. Gold coin began to be paid in the spring of 1898. The Treasury had accumulated a large amount of gold coin, and gold constituted 70 or 80 per cent of the payments during the summer of 1898 and in 1899, until the issue of gold certificates.

During the panic year the silver certificates were paid in very large quantities, and, as everybody knows, the gold reserve was depleted,

and President Cleveland was compelled to issue bonds to restore the reserve. Now, if you establish exchangeability between gold and silver, so that any man who has a silver dollar knows that he can get gold for it, just as a man holding a greenback knows that he can get gold for it, then you wipe out discrimination. There would be no such disposition as heretofore to retain the gold and pay into the Treasury for public dues silver or greenbacks or Treasury notes. You would make a homogeneous body of all our different kinds of money, and you would find receipts coming in in silver and greenbacks and gold altogether. You would have a homogeneous money, all exchangeable for the standard and equal to it, beyond the queston of anybody.

Now, the point is often made in this regard that it would impose an added burden upon the Treasury. I do not think so. On the contrary, it would tend to diminish the burden from the confidence in the whole monetary stock of the country which would be inspired. But if the point is made that the mere adding to our stock of money exchangeable for gold of this large amount of silver would impose an added burden, the holdings of silver at the present time are very reassuring on that question. The silver is very widely scattered and is largely held by the people all over the country. If the banks should present every silver dollar and silver certificate that they have, it would be but a very trifling matter. I have a statement here of the holdings of the national banks in silver from 1889 to 1900. The largest amount was in September, 1900, when it was about $54,000,000. Back in 1896 it was $35,000,000, and in 1895 even as low as $32,000,000, and the fact that it has increased during the last year or two I think is in part due to the confidence inspired in all our money.

The banks discriminate less against silver, and while there was a demand for small notes and silver dollars during the last year, they permitted their holdings of silver to run up to $54,000,000, whereas they used to keep them down around $30,000,000. That would not seem to impose a very large burden on the Treasury; and if you look to the location of the silver you will find that the New York City national banks carried only a little more than $11,000,000. The exact figures were, in silver dollars, $99,527, and silver certificates, $11,653,153. The Chicago banks carried $6,000,000, the St. Louis banks $7,000,000, and other reserve cities $17,000,000. That was all the silver that could be presented at all the subtreasuries. If the Government had authorized the subtreasuries to receive silver for gold and every one of the banks had denuded itself of all its silver and silver certificates, depriving themselves of all their small notes, under the present law, which forbids the further issue of United States notes in denominations of one or two dollars, these banks could have presented less than $12,000,000 in New York.

Mr. Shafroth. Do you not recognize that, although the silver certificates are not in the banks, they are in circulation, and if they become redeemable in gold they are liable to come in and become a burden to the reserve in the Treasury?

Mr. Conant. Yes, sir; I recognize that the notes are in circulation. It is probable, I think, that the amount of silver in the banks would increase somewhat and the other moneys diminish if they were made interchangeable, and in that sense this burden would increase. But I have already tried to show that you have already provided for indirect

redemption, and that you would gain very little by refusing direct redemption. There is already a system of indirect redemption.

Mr. SHAFROTH. I do not think there is. I can not understand why you call it redemption. They do not make any redemption of gold in silver or silver in gold.

Mr. CONANT. The public dues amounted to more than $600,000,000 in the last fiscal year.

Mr. SHAFROTH. Yes; but that is a question of revenues, whereas this other is a question of currency. This is a distinction, it seems to me, which ought to be made wherever you attempt to redeem one currency in the other.

Mr. CONANT. We have put out a lot of money which is not nominally exchangeable for gold, but of which we are pledged to maintain the parity and which ought in good faith to be exchangeable for gold. The Government must meet the burden unless it gets out of the banking business.

Mr. SHAFROTH. I do not see how you can get it out unless you retire your greenbacks, and if you make silver redeemable in gold sell your silver bullion.

Mr. CONANT. France is not in the banking business. She has a lot of silver that is of less than its nominal value, but leaves it to the bank to maintain parity. Now, the United States has no means of protecting its reserve by banking methods.

Mr. SHAFROTH. France does not redeem her silver dollars in gold, and she raises the rate of discount for the very purpose of preventing gold from going abroad. I do not see why we should make it easier to obtain gold for export.

Mr. CONANT. Because we have thrown upon the Treasury the obligation of maintaining the gold standard. If we took that obligation away from the Treasury and threw it on the banks, the Treasury would not have anything to do with it. But as long as the Treasury stands subject to that duty, and issues paper money and silver money far below its nominal value in bullion, it is bound to maintain the parity of its obligations.

Mr. SHAFROTH. No more than France, it seems to me.

Mr. CONANT. But the French treasury issues no paper money.

Mr. SHAFROTH. But it issues silver.

Mr. CONANT. A 5-franc piece is a legal tender, but it is kept equal to gold by the policy of the Bank of France.

Mr. SHAFROTH. The Bank of France receives it at par, but does not exchange gold for it.

Mr. CONANT. It furnishes gold for export.

Mr. SHAFROTH. Yes; but it dictates as to the quantity of gold any man shall have, and it says, if you are getting too much gold, that you can not have any more.

Mr. CONANT. They furnish the gold at the price which they dictate.

Mr. SHAFROTH. So have we provided for the keeping up of this price by the sale of bonds.

Mr. CONANT. Do you think it preferable to buy gold at a premium to meet large demands rather than to maintain perfect equality between all forms of money?

Mr. SHAFROTH. Yes; if you are going to cut the currency half in two, and make the one redeemable in the other; because thereby you make one basic money and the other not, whereas both are basic money now.

Mr. CONANT. The real point in issue—and I think that answers in part your proposition—is that we have a coherent mass of currency supposed to be equally good, whether it is interchangeable or not, and the Government is, in fact, bound under existing conditions to meet all demands for gold that are made upon it. It can not evade that demand while it issues paper and silver money. If we got it down so that the Government would redeem only fifty or sixty millions, there would be a scramble for that money, and there would be a premium on it which would amount to a premium on gold, but the Government has a sufficient amount of money afloat now to meet all demands for export.

Mr. SHAFROTH. Yes; but why put upon the Treasury an added burden by using all forms of this money for that purpose, when there is no danger to the parity?

Mr. CONANT. There would be danger if this gold stock were exhausted.

Mr. SHAFROTH. Well, it has power to issue bonds.

Mr. CONANT. They have that power; but I do not think it would add to the burden on the Treasury, for that reason——

Mr. SHAFROTH. We have had in the last twenty years conditions both of panic and good times and of loss of crops, and yet there never has been a discount on the silver dollars, although it has been predicted time and time again by the gold-standard people, has it not?

Mr. CONANT. I do not know.

Mr. SHAFROTH. Do you not recollect that it was predicted by Secretary Sherman at the time of the passage of the Bland-Allison act, when he said that if it became law gold would immediately go to a premium? Afterwards he placed the limit of the issue of silver dollars at $100,000,000, and notwithstanding that we have gone on and issued $500,000,000, and yet there is no discount.

Mr. CONANT. It may have been so. I do not recall the utterances of Mr. Sherman.

Mr. SHAFROTH. Do you not recollect that the entire gold-standard press was claiming that?

Mr. CONANT. I do not know that it was claimed, as you say, that gold would actually go to a premium. It was claimed that there would be danger of it.

Mr. SHAFROTH. Now, then, is it not a fact that the danger of silver going to a discount or gold going to a premium by reason of the existence of silver is getting less and less each year by reason of the fact that the commerce of the country is getting greater and the taxes collected by the national, State, county, and municipal governments that are payable in silver and payable in lawful money are getting greater each year, and the increase of silver dollars is not going on; and is it not a fact that each year the chances of gold going to a premium gets less and less by reason of these facts?

Mr. CONANT. Yes; it is true that the chances of silver going to a discount or gold going to a premium are diminished. But what I understand is desired by these bills is to remove the possibility of danger, so as to make our country a center of the world's exchanges.

Mr. SHAFROTH. Now, if that condition did not arise even in 1893, when the power of the country to make demands upon the legal-tender money was not nearly as great as it is now, is not there far less danger now than there was then?

Mr. CONANT. So far as the present laws are concerned, I do not

think that the present danger is very acute. But it makes a great deal of difference whether it is probable or certain that you will be able to get a certain kind of money. That is the difference between London and Paris. If a man has an English contract, he knows that he is going to get a certain kind of money and just how he is going to get it, while in Paris he may be charged a premium for gold, especially on an exchange transaction. Now, I think these bills provide an absolute certainty in that regard.

Mr. SHAFROTH. Do you not realize that where such enormous demands are made as have been made in the past on gold for redemption the same difficulties are likely to arise?

Mr. CONANT. Not if your redeemable money has been limited. The question would be different if you made it unlimited in quantity, as by free coinage.

Mr. SHAFROTH. But with the great number of demands that could be made upon silver by the lawful debts made payable in it, and of the revenues of the Government and all the revenues of the State, county, and municipal governments which can be paid by it, would not these demands keep it at par value with gold?

Mr. CONANT. These demands are likely to keep silver at par, and these demands illustrate how little silver could be gathered for redemption and how little burden could be thrust on the Treasury for its redemption.

Mr. SHAFROTH. Don't you realize that in redeeming one money in another, and in destroying, as it were, one basic money, that you must necessarily increase the burden on the gold by reason of that?

Mr. CONANT. No, sir.

Mr. SHAFROTH. Do you acknowledge this fact: You require a bank to have a certain amount of reserve on deposit, say $100,000; you regard it as dangerous if the bank increases its obligations without increasing the reserve; you would make it increase its reserve as it increased its obligations?

Mr. CONANT. Yes, sir.

Mr. SHAFROTH. Why, then, should not the Government in the same way increase its reserve, and why is it that it is not subject to the same dangers where it increases its redeemable obligations? Where you increase the promises to pay must you not increase the burden upon that which you promise to pay?

Mr. CONANT. I do not understand that you are increasing the promises to pay. As to silver certificates, it has been the belief in the good faith of the Government and the intention of the Government to maintain parity that has kept them from going to a discount.

Mr. SHAFROTH. You do not believe that their use as a legal tender and the demand created thereby is what has done it?

Mr. CONANT. Yes, sir; that has had some influence.

Mr. SHAFROTH. And do not you believe that everybody would grab for the silver dollar if it went to a discount of 1 per cent, and would not the demand created thereby bring it back to a par value?

Mr. CONANT. I do not agree to that.

Mr. SHAFROTH. Is it not human nature that if money is at a discount people will take it and pay their debts with it rather than with money that is not at a discount?

Mr. CONANT. It is.

Mr. SHAFROTH. And would not that make an enormous demand on that kind of money?

Mr. CONANT. There is force in that—that a coin, even if it is below par in actual value, that whether the quantity of money is greater or less, gives it a particular value if it is legal tender for debts and the medium of exchange; but I do not think it would give it a value which would tie it to the par value. Now, if we had gone to the silver basis, with the disappearance of gold and the scarcity of currency, that would have kept silver somewhat nearer par than its bullion value. It would not have brought it up to par, but it would have put it above its value as bullion, not because it is a legal tender chiefly, but because of the necessity for tools of exchange. The people have to have something to do business with, and that would have created a demand on the silver after the gold disappeared and given it a value greater than its bullion value; but you can not by that process tie it to a rigid parity with the standard, or anywhere near it.

Mr. SHAFROTH. Do not you regard it as a question of supply and demand?

Mr. CONANT. To a limited extent.

Mr. SHAFROTH. Is it not true that to the extent that the demand for bullion would increase you would increase its value?

Mr. CONANT. It is true, of course, that the increased demand would increase the value.

Mr. SHAFROTH. And do you not recognize that if the United States undertakes this policy the inevitable result will be that other nations will undertake the same thing and before long there will be a redemption of all silver money in gold?

Mr. CONANT. The policy proposed in this bill?

Mr. SHAFROTH. Yes.

Mr. CONANT. I thought you were talking of adopting free coinage.

Mr. SHAFROTH. No.

Mr. CONANT. I do not think it would have the slightest effect if the Bank of France were directed to pay gold for its notes. The bank would object, probably.

Mr. SHAFROTH. If you took each nation separately, it would not have the effect that it would if you took the entire world?

Mr. CONANT. No; but France would be affected most by it, because she has the most silver. A direction to the Bank of Germany to redeem its silver would not have any effect, because I think it is redeemable as it is.

Mr. SHAFROTH. If you took the entire world in this way it would increase the burden enormously upon gold? Gold would be doing the work of both gold and silver?

Mr. CONANT. No; I think gold is doing that work now. The Bank of France and the Bank of Germany have large quantities of silver in their vaults, but gold is the standard.

Mr. SHAFROTH. What is the use of having silver?

Mr. CONANT. It is a tool of exchange.

Mr. SHAFROTH. If it is a tool of exchange, it relieves gold of that burden?

Mr. CONANT. Yes, sir.

Mr. SHAFROTH. If you have all the work done by silver to-day put upon gold, can not you concede that it would increase the burden upon gold?

Mr. CONANT. I do not understand that any such proposition is pending.

Mr. SHAFROTH. If you make one redeemable in the other, do not you make silver simply a promise to pay?

Mr. CONANT. In all gold-standard countries all checks and contracts and notes are redeemable in gold; but you would not say you were making gold do all the work, would you?

Mr. SHAFROTH. You will make it do all the work when you take from silver the quality of basic money, and then you do impose the burden on gold.

Mr. CONANT. I think that would be true if those countries were now maintaining free coinage and were to stop it, but I think what is asked by this bill these countries practically do now.

Mr. HILL. We are discussing now the policy of making silver exchangeable for gold. I would like to ask a question as to making silver certificates directly exchangeable for gold, and also the advisability of compelling the Government to give silver dollars for gold. I would like to ask you about those two points, as the two bills that are before the committee differ on those two questions; first, the advisability of exchanging the silver certificates on demand for gold, and second, the advisability of giving silver dollars for gold.

Mr. CONANT. There is no reason why silver dollars should not be given for gold if the Treasury has a sufficient supply.

Mr. HILL. I mean making it mandatory.

Mr. CONANT. It might be desirable to give the Secretary some discretion.

Mr. HILL. Requiring him to break up denominations, without any idea of doing it for the sake of the parity?

Mr. CONANT. As to redeeming silver certificates directly in gold, that is a question of detail. It would cause a little confusion in the bookkeeping, perhaps, but that is the principal effect that it would have.

Mr. HILL. Would you think it advisable to make silver certificates directly exchangeable at the Treasury for gold?

Mr. CONANT. No; I should think not, although it would not make much difference. The Treasury would simply cancel the certificate and transfer a silver dollar.

Mr. HILL. Would you think it advisable to make mandatory by law that the Treasury should always be ready to break up denominations of gold and give silver dollars for it?

Mr. CONANT. They ought to do it if they had the silver.

Mr. HILL. They do it now, but would it be advisable to make the present custom mandatory?

Mr. CONANT. Only so far as the resources of the Treasury would permit.

Mr. HILL. It is discretionary now.

Mr. CONANT. If they have the silver, I think they should put it out without discrimination, and any money they have. All money should be treated alike; it should be a homogeneous mass, so far as practicable.

I would like to just say a word as to what I conceive to be the real criterion of the demands on the Treasury. I conceive it to be the volume of the currency and the demands for it. The question turns largely upon the demand for gold for export and not upon any other demand. One of the reasons that this bill is proposed, as I understand, is that all other demands shall be cut off, and there shall be such perfect confidence in the money system that there shall be no demand for

gold except the legitimate export demand. Now, in 1893 one of the factors which caused the difficulty was the redundancy in the currency in view of the slackened volume of business.

Some questions were asked the other day as to the volume of currency, whether it was not large at one time and small at another, and whether it did not go to a premium because of its scarcity. The reason it went to a premium in 1893, without discrimination against silver certificates, was that, in spite of the diminished volume of business in 1893, other credits had collapsed. People wanted currency, because they thought that it was safer than credits and deposit accounts at banking institutions.

Mr. SHAFROTH. Silver certificates at one time went to a premium in New York, in 1893.

Mr. CONANT. I think there was no discrimination between silver certificates and any other kind of money. It was only a question of getting currency.

Mr. HILL. Gold went to a premium.

Mr. CONANT. There was a demand for some form of exchangeable currency. People had obligations to meet, and that necessitated and created this demand, and the silver certificates were taken, although they were not a legal tender. Legal tender was only a minor factor in the matter. They wanted some form of tool of trade that people would accept, and it was simply as a tool to carry on transactions that they used it.

Mr. HILL. Would not the legal-tender quality have some effect on it there, because these were redeemable in a legal-tender money?

Mr. CONANT. I do not think a man stopped to consider whether it could be refused as not being legal tender or not. It could have been refused on a gold contract or any contract calling for legal-tender money, but what he wanted with it was to do the work of money in retail transactions, paying wages, etc. The retail tradesmen would not have insisted upon gold because there was not enough difference.

If these silver certificates had gone down to 50 cents on the dollar there might have been a question about this, but the underlying difficulty at that time was that after the panic set in there was not enough currency. When people got over their fright in a certain measure and business became depressed and there was no longer the demand for credit and money that there had been, there was too much currency, and the Treasury only aggravated the difficulty, instead of remedying it, by paying out more than it took in, as it almost necessarily does under our subtreasury system. The slackening of business reduced customs receipts, the internal revenues, and even postal receipts, and the result was a very large deficit in the Treasury, and the Government, paying its debts every day, took out more than was paid in, and the deficit constantly grew larger. Now, the difficulty in this redundancy of the currency was the excess began to go abroad in the form of gold. If that had been the limit of the demand it would not have been so bad, but there was the further demand caused by the anxiety of the people regarding the standard and their consequent hoardings. Bills of exchange were often fabricated and men would transfer their holdings in that way into a form that they knew they could realize in gold in London rather than take any risk.

But, leaving that aside, I come to this proposition: That under normal conditions the Treasury may be called upon to furnish all the gold

needed for export, whether it exchanges gold for silver or not, because we provide for the redemption of $346,000,000 of greenbacks and $60,000,000 in Treasury notes. That is sufficient in any case for the export demand, because the greenbacks are always available for these demands. The export movement would bring about a normal contraction if it were not for the deficit. Now, if you take the further course in the matter of providing for the sale of bonds or issuing certificates of indebtedness you by that amount contract the currency and you arrest that redundancy. The redundancy, of course, operates in several ways to send gold abroad, even where perfect confidence prevails.

Now, interest falls when money is redundant. If a man had any money coming to him in London he could direct that it be left there to be loaned at the higher rate. By this means the redundancy of the money is drained off by gold exports. Now, the Government can not escape this obligation while it maintains the gold standard and while it issues Government paper money and silver money. It could escape it by throwing it all on the banks, if it retired all the greenbacks and sold its bullion, but it can not escape it or diminish it so long as it maintains a large volume of paper money redeemable in gold.

To recur to the general proposition, so long as the currency is fixed in amount—that is, the quantity in circulation outside the Treasury is fixed—the surplus will be drained off by export. The gold drain itself would reduce the volume; but what happened in 1893 was that the Government pumped this money right back into the circulation again to cover a deficit.

Now, if the Treasury wanted to take drastic measures, in the absence of other provisions it would sell bonds; but although after President Cleveland had sold $262,000,000 of bonds—even then part of it went out for export—he did produce a degree of contraction in the currency which finally stopped gold exports; but in all those transactions if the element of distrust had been eliminated it would have made very little difference what kind of money was presented to the Treasury for redemption. The amount presented would have been the amount of the redundancy, and the Government would have had to redeem it unless the banks voluntarily assumed to do it. On that question you are much more likely to persuade the banks to assume the burden if you make all kinds of Government money equally good, so that the Sherman notes and the Treasury notes and gold and silver certificates, all our kinds of money, should be a homogeneous mass, all as good as gold; then the banks would furnish it for export.

Mr. SHAFROTH. If you make these silver dollars redeemable in gold, does it not amount to the Government having invested in currency $500,000,000—or $250,000,000, being the actual value of the silver—when you could, without appreciable cost, stamp these promises on pieces of paper as on pieces of metal?

Mr. CONANT. I do not think it is a practical question now.

Mr. SHAFROTH. Then you would advise this Government to sell its bullion and issue paper obligations in place of it? Would it not be economical?

Mr. CONANT. I do not know that I would say, as a practical measure, that you should throw it all on the market at once. I think we made a mistake in buying it.

Mr. SHAFROTH. Do you not know that would be the inevitable result, if you make silver dollars redeemable in gold?

Mr. CONANT. No, sir.

Mr. SHAFROTH. You do not think this Government ought to invest in currency $250,000,000——

Mr. CONANT. We have done it.

Mr. SHAFROTH. But it ought not to keep that investment when it could have a currency for nothing by merely writing it or printing it on paper.

Mr. CONANT. If it is merely the proposition of throwing the silver on the market and getting gold for it without regard to the economic effect—if you mean it as a bald fiscal proposition, I say that it would be good policy to sell it and add that $250,000,000 to the gold reserve.

Mr. SHAFROTH. But the result would be a fall in the price of silver all over the world?

Mr. CONANT. Yes, sir.

Mr. SHAFROTH. Quite a considerable fall?

Mr. CONANT. If it was thrown on the market all at once it would be a very considerable fall. It would be like throwing several million bushels of wheat on the market from the skies; it would not be a normal supply.

Mr. SHAFROTH. Don't you think the next bill introduced after this one is passed would be one providing for the sale of the silver?

Mr. CONANT. I haven't any knowledge on that subject.

Mr. SHAFROTH. Don't you think that it is an irresistible conclusion?

Mr. CONANT. No; I do not.

Mr. SHAFROTH. Is there a single nation in the world, and if so, what nation, which redeems by statute its legal-tender coin in gold?

Mr. CONANT. I think the Bank of Belgium does it.

Mr. SHAFROTH. No, no; Belgium is in the Latin Union.

Mr. CONANT. No; the Government does not, because no government undertakes to maintain parity without the aid of a bank.

Mr. SHAFROTH. France does.

Mr. CONANT. No; it does not.

Mr. HILL. Do not all the members of the Latin Union agree to redeem in gold all the coin above a certain amount?

Mr. COCHRAN. Yes; when it gets into another country out of theirs. They do not agree to redeem their own silver coins. They agree, if a certain amount of Swiss money gets into France, they will redeem it when presented by the foreign government.

Mr. HILL. It does not make any difference; they redeem it.

Mr. SHAFROTH. It is not redeemable now. You can not compel this redemption from one of these nations to another until they conclude to dissolve the Latin Union; that is the agreement.

Mr. CONANT. I think they redeem it now.

Mr. COCHRAN. No; if they did Italy would take this means of obtaining gold. Upon dissolution of the Latin Union each of the countries a party thereto would be required to redeem in gold any excess of silver coined under the terms of the agreement.

Mr. CONANT. Italy has an enormous amount of silver outstanding, and if she undertook to present it for redemption France would offset it by presenting an equal amount of Italian money.

Mr. COCHRAN. Yes.

Mr. SHAFROTH. Can you think of a single nation which by law compels its treasury department to redeem legal-tender silver in gold?

Mr. CONANT. You may limit it to statute law perhaps more strictly than I should in discussing the question from an economic point of

view. I think the Bank of England does pay gold and the government of British India.

Mr. SHAFROTH. British India has a statute which obliges its government to give silver rupees for gold, but not gold for rupees.

Mr. CONANT. I have forgotten the exact facts.

Mr. SHAFROTH. And a great comment was made on their establishing the gold standard there and not requiring the government to give gold for rupees.

Mr. HILL. Mr. Cochran stated that Italy had an enormous amount of silver outstanding. The amount of legal tender and subsidiary coin all together is $1.38.

Mr. COCHRAN. They are on a paper basis, of course, and they have comparatively little of any kind of coin.

Mr. HILL. It is mainly subsidiary coin?

Mr. CONANT. Yes.

Mr. COCHRAN. They have no full-weight specie of any kind out.

Mr. SHAFROTH. Is not this policy a new departure in the history of monetary science—making silver dollars redeemable in gold; is it not a change in the theory of finance, and has any government ever undertaken it, and is this the first proposition of the kind; and if not, what nation has ever done it before?

Mr. CONANT. I do not think that your proposition is correct, that this is a departure from the correct principles of monetary science, because I think it agrees with monetary science.

Mr. SHAFROTH. Has any government ever provided for redeeming its legal tender silver money in gold, and if so, is not that a departure from sound monetary principles?

Mr. CONANT. It may be a departure in form from previous legislation, but that would not be a departure from sound monetary science. As for the Latin Union countries, they are on the gold basis. There may be a little roundaboutness about it, as there is in the case of the United States, but as I understand you your proposition is that we are providing de novo for making gold the basic money.

Mr. SHAFROTH. The only basic money.

Mr. CONANT. And exchanging it for silver. Now, I do not think that is the case, and I do not think that you would contend that the passage of this bill would create any economic revolution in the United States, because the United States and all the Latin Union nations have suspended the coinage of silver, and they do maintain that parity and have exchangeability, though not so directly, perhaps, as this bill proposes.

Mr. SHAFROTH. Is not there a difference of opinion as to that, one contention being that it is done by the use of the legal-tender power of the silver dollar, and the other contention that it is maintained by gold?

Mr. CONANT. The very fact that parity is maintained by use is an evidence of the small burden which would be imposed on the Treasury by this bill. If we were now proposing to close the mints to free coinage and to make silver redeemable in gold, it would be a radical proposition, or if we were proposing to withdraw it from use, but that is not the proposition.

Mr. SHAFROTH. It is not quite as acute as that, perhaps, but is it not the same thing?

Mr. CONANT. I think not.

Mr. SHAFROTH. When you increase the burden on gold by redeeming or offering to redeem it in gold it seems to me you are going to increase the burden upon gold, and that will increase the demand for gold, and if you increase the demand that will increase its value. Do you think that the increase of $500,000,000 of greenbacks payable in gold would not increase the demands for gold?

Mr. CONANT. To add to the existing stock of money $500,000,000 of greenbacks? No, sir.

Mr. SHAFROTH. You do not think that by redeeming money in gold it increases the burden upon gold?

Mr. CONANT. No, sir; not unless we had free coinage. The silver is already a part of the currency.

Mr. SHAFROTH. If it is not redeemable in gold, it does not impose an obligation or burden upon gold. Why is it not an addition of that much of a burden on gold?

Mr. CONANT. Because the silver remains in use and is already available for paying public dues.

Mr. SHAFROTH. Because it remains in use?

The CHAIRMAN. Is not that so now?

Mr. SHAFROTH. A burden upon gold?

The CHAIRMAN. Yes, sir.

Mr. SHAFROTH. No, sir. It is simply a means by which the gold comes into the Treasury of the United States and is paid out, and it is a basic money at the present time. You can not take a silver dollar and get gold for it; you may on the outside, but when you go to the Treasury they will not give it to you. I have no doubt that the Treasury, in ordinary times, could exchange gold for silver, if it wanted to, ninety-nine days out of one hundred, without material effect; but it is that one day when the strain comes that silver should have the quality of basic money. The Government has a right to say that it is not redeemable in gold, and prevent the depletion of the gold reserve.

Mr. COCHRAN. One point in contention throughout this testimony has been the extent to which the want of confidence has aggravated the demand upon the Treasury for gold. Is it not true that the export of gold occasioned a demand for gold, regardless of all other considerations?

Mr. CONANT. Yes; I suppose that is true.

Mr. COCHRAN. It is contended by many that, independent of the redemption of token money, its legal-tender power up to a certain volume is sufficient to maintain a parity between it and redemption money?

Mr. CONANT. Yes; that has been contended, I believe. I would not subscribe to that without qualification.

Mr. COCHRAN. I know you would not. I will ask you if in France, where all forms of money, whether gold, silver, or paper, possess full legal-tender power on terms of complete equality, the experience of, say, thirty years—the period in which the controversy over the coinage laws has held sway—the beneficent effects of making all money in circulation full legal tender have not been shown?

Mr. CONANT. Well, France had what was considered bimetallism for many years.

Mr. COCHRAN. All debts contracted in France may be paid in full in Bank of France notes, in silver, or in gold, or in parts of each?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. At the option of the payor, may it not?

Mr. CONANT. I think that is the case.

Mr. COCHRAN. Then gold, silver, and paper are equally available as legal tender for all debts, public and private?

Mr. CONANT. In France?

Mr. COCHRAN. In France.

Mr. CONANT. Well, I am not familiar enough with the law to say whether it is or not. As a practical fact, it is true in regard to private debtors. I do not know about public debts.

Mr. COCHRAN. Is it not true that the court of cassation in France held that a law authorizing contracts payable specifically in gold was against public policy, a discrimination against the legal-tender money of the country, and therefore beyond the power of the legislature?

Mr. CONANT. I do not know as to that. I know there is a practical discrimination against silver.

Mr. COCHRAN. You say you do not know?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. Then I will go on the record as saying that it is the fact, so as to get it in the record.

To what extent was the parity of gold and paper money in France affected by the Franco-Prussian war?

Mr. CONANT. It went off at the maximum 2½ per cent.

Mr. COCHRAN. 2½ per cent?

Mr. CONANT. Below par.

Mr. COCHRAN. Then the paper money of France was worth 97½ cents on the dollar——

Mr. CONANT. You mean the notes of the Bank of France? They had no paper money.

Mr. COCHRAN. I do not think that is a distinction, because the Bank of France is the same as our Treasury, and its notes bear the impress of sovereignty—they are full legal-tender money.

Mr. CONANT. No; it is a private concern. If it had been a Government treasury, it would have been confiscated by the Germans. Even if it had not been confiscated, you would have found that the Government notes would have gone away down. That is illustrated by the history of the United States.

Mr. COCHRAN. But in this country depreciation of greenbacks during the civil war was occasioned by a distinct discrimination against them. This is not true of the French paper legal-tender notes. Was there any depreciation in the gold value of our Treasury notes until the greenback was outlawed by making only gold receivable for duties on imports and interest on the public debt? Up to that time were not the gold Treasury notes at a par with gold?

Mr. CONANT. I think when the banks found that it was the intention to pump into the currency a big volume of that money——

Mr. COCHRAN. I will ask you, until the Government made public dues payable in gold only——

Mr. CONANT. They did that when the greenback law was enacted——

Mr. COCHRAN. But we used a large volume of paper money before the passage of that law. It was receivable for all public dues, and so Government promises to pay remained at par. Is this not so?

Mr. CONANT. It was receivable for customs.

Mr. COCHRAN. Certainly; but was not redeemable in gold.

Mr. CONANT. But that manner of receiving it is an indirect redemption.

Mr. COCHRAN. Now, going back to the French system of finances, I will ask you at what date, succeeding the Franco-Prussian war, did France, by legal enactment, provide for the resumption of specie payments?

Mr. CONANT. Yes; I think a law was passed providing for resumption in 1878 or 1879, about the same time that we passed our law.

Mr. COCHRAN. Had not the par value of gold and silver been reestablished in France long before the passage of that law?

Mr. CONANT. I could not say positively from memory, but I should say for a year or so, because the bank gradually prepared the way.

Mr. COCHRAN. Then resumption was an accomplished fact before the passage of the law, and the statute was a mere formality?

Mr. CONANT. The same was true here, you know. The premium disappeared a few days before resumption. It was the confidence that it was going to be done that caused that disappearance.

Mr. COCHRAN. But the statute had been in force several years.

Mr. CONANT. No, sir; I should say not. I do not emember it. I do not think it could have been before the evacuation of the territory or the payment of the indemnity, which was in 1873 or 1874.

Mr. COCHRAN. I mean our statute.

Mr. CONANT. Our statute; yes, sir.

Mr. COCHRAN. We passed a kind of a dry-rot statute that took effect three or four years off.

Mr. CONANT. Yes; but the passage of the act, whatever its defects, did appreciate the paper money, from the belief that it was going to be redeemed.

Mr. COCHRAN. Then, in effect, specie resumption was in operation in France some time before they took any official action on the matter?

Mr. CONANT. Well, the same sort of specie resumption that exists to-day. The bank exercises a certain control over gold by charging a small premium for export. For practical purposes the premium cuts very little figure, however.

Mr. COCHRAN. It cuts none, really, except to exporters.

Mr. CONANT. You do not contend that the country can issue irredeemable paper without sending it below gold?

Mr. COCHRAN. I have not said so. I have not referred to that subject, so I could not have said so. I have not even broached that subject.

Mr. CONANT. I did not mean to say anything offensive at all.

Mr. COCHRAN. No; but I did not broach that subject. I do not think the Government can issue an excessive volume of currency and keep it at par by any means.

The CHAIRMAN. What do you mean by saying that the money would go below par?

Mr. COCHRAN. I mean if you make every form of Government issue legal-tender money, a legal tender to pay every debt, and do not issue any more money than is needed to pay the debts, that none of the money can go to a premium over the other forms of money; or if it does, it will be a very trifling and temporary premium.

In France, on account of the disorder consequent upon the invasion of the Germans followed by the reign of the Commune, and continuing for a while by the embarrassment experienced in the installation of a new form of government, specie payments were suspended. In the

midst of these appaling difficulties the legal-tender power of the French paper issues saved the country. With these notes debts, public and private, were discharged and commerce was carried on. A premium on specie sent it into hiding, and prevented, or at least greatly retarded, exports, and this was vastly beneficial. Paper money, though at a slight discount, was available for the payment of all forms of debt, from one citizen to another, and to the Government. As soon as the disorder disappeared, gold and silver reappeared, and thus was effected the restoration of the parity between all the moneys of the Republic—gold, silver, and paper.

I cite this chapter in French history as at once a lesson in political economy as to the efficiency of the legal-tender quality of paper money and a rejoinder to the contention that what has been called by some scientists the intrinsic value of money, apart from its use in paying debts, cuts a figure in determining its monetary value. "Intrinsic value," as it is called, is important in determining the value of metal when used in making jewelry, or in the arts, or for some other similar purpose, but when used as money it is not true that so-called "intrinsic value" operates to limit the value of coined legal-tender money. Entertaining these views, I unhesitatingly declare that the gold-contract clause of our statute, authorizing one citizen to make provision in his contract with another for payment of gold, and only gold, is calculated to cause a depreciation in the value of other forms of money, or, rather, an appreciation in the value of gold.

Mr. CONANT. If it is sufficiently limited in amount——

Mr. SHAFROTH. How much was that money that you just referred to; that is, the quantity of it that was issued by the United States which was receivable for all debts to the Government and which was legal tender for the payment of all debts?

Mr. CONANT. I could not tell exactly from memory; I think about $62,000,000. Do you want me to express an opinion as to what you said, Mr. Cochran?

Mr. COCHRAN. Yes, sir. I will ask you a question or two. Now, you said a little while ago that it was because the Bank of France was a private institution that it escaped bankruptcy during the Franco-Prussian war?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. While it is a private institution, is it not the financial agent and in effect the exchequer of the French Government?

Mr. CONANT. It is the Government depository, as most of the banks of Europe are, where there is no subtreasury and the Government keeps its deposits in the bank; but that does not make it a part of the Government.

Mr. SHAFROTH. The Government there issues no paper money?

Mr. CONANT. No, sir.

Mr. SHAFROTH. It does, however, make the paper money of the Bank of France full legal tender for all debts, public and private?

Mr. CONANT. Except at the bank.

Mr. SHAFROTH. I mean, of course, that the bank has to redeem.

Mr. CONANT. Yes, sir; I believe that is a fact.

Mr. SHAFROTH. Is not that true as to the Bank of England?

Mr. CONANT. Yes; I believe so.

Mr. SHAFROTH. To that extent these institutions do issue money in which the highest prerogative of the sovereign, or one of the highest, is exercised by them?

Mr. CONANT. That power is delegated to them.

Mr. HILL. That is, that the redemption must be maintained with gold, and when that ceases it ceases to be a legal tender?

Mr. COCHRAN. That is the case in France?

Mr. CONANT. They have bimetallic redemption there. The notes were made legal tender in 1850, I believe, in France, and then they continued to be legal tender. Under existing conditions they are supposed to redeem in one metal or the other.

Mr. COCHRAN. Would you regard it as desirable in this country to have any form of bank currency legal tender and have the greenbacks withdrawn from circulation?

Mr. CONANT. In regard to making bank notes legal tender, it would depend upon the organization of the banks.

Mr. COCHRAN. If you were allowed to dictate the organization yourself, would you provide that one feature should be that its paper should be legal tender for debts?

Mr. CONANT. Most theoretical students are opposed to making anything but gold coin a legal tender. Still, if we had a large bank like the Bank of France, I do not know that it would do any harm to make its notes legal tender if the bank maintained specie payments.

Mr. COCHRAN. The bank does not maintain specie payments.

Mr. CONANT. They did not during the period of suspension at the time of the Franco-Prussian war, but I think if under present conditions they suspended specie payments, there would be a bill passed in the Chambers to take away the legal-tender quality from their notes.

Mr. COCHRAN. That is improbable?

Mr. CONANT. Yes, sir; the assumption is that they always will be solvent, and on that theory I do not see any great objection to making their notes legal tender.

Mr. COCHRAN. When the existing law makes all money in circulation in France—gold, silver, and paper—legal tender, on what theory do you predicate opposition to continuing to maintain the legal-tender quality of any one of the three kinds of money, even though one or both the others should command a premium?

Mr. CONANT. That it would not represent value. The legal-tender quality in theory ought to be limited to gold or silver, whichever one is the standard.

Mr. COCHRAN. Is not it a misnomer to call money a thing of value?

Mr. CONANT. No; except in the sense that value is only relative. For the purposes of our discussion, I think gold represents intrinsic value.

Mr. COCHRAN. Is it possible to maintain a steadiness of value in any form of money?

Mr. CONANT. You mean an equality of prices?

Mr. COCHRAN. Yes, sir.

Mr. CONANT. No, sir; that is impossible.

Mr. COCHRAN. That is wholly impossible?

Mr. CONANT. Yes, sir; it is impossible for prices to remain absolutely stable. They are affected by many influences.

Mr. COCHRAN. It is wholly impossible to maintain a stability in the commodity value of money?

Mr. CONANT. No. You might say a rigidity of money in relation to all other commodities.

Mr. COCHRAN. Now, if some cause should affect the money, then you think the State should step in——

Mr. CONANT. No; just the contrary.

Mr. COCHRAN. If something should cause paper money to sink to 97½ cents, as in France, you think it would be a bad idea to have that money continue legal tender?

Mr. CONANT. Yes, sir; I think it would be bad to have it continue a legal tender.

Mr. COCHRAN. Because its value would be diminished?

Mr. CONANT. Yes; it no longer represents a given weight of gold.

Mr. COCHRAN. If this value should be, from some cause equally apparent, doubled, what would you think the Government ought to do?

Mr. CONANT. With this paper?

Mr. COCHRAN. Any kind of money, legal tender, coin or paper?

Mr. CONANT. If that should occur, it would be a fortunate thing for the Government.

Mr. COCHRAN. You do not understand me.

Mr. CONANT. I do not think I do.

Mr. COCHRAN. I say if the purchasing power of legal-tender money, paper or gold, should be depreciated 2½ per cent—that is, it should sink to a 2½ per cent discount—would you think it advisable to continue its legal-tender power under those conditions?

Mr. CONANT. No, sir.

Mr. COCHRAN. Suppose, from causes equally apparent, its value in commodities should double, would you consider it advisable to continue its legal-tender power?

Mr. CONANT. I do not think there is any difference. If people took it in current transactions on that assumption, they would be entitled to their value for it. I think your statement as made was clear and in a large measure correct, that the quantity of money in the country usually does regulate its value to a considerable extent, but of course you simply ascertain what amount of money will float at par, and you can float a considerable quantity, and a larger quantity at a slight discount, but you can not float it at exactly par. In other words, you can not maintain rigidity of value under the most favorable adjustment. You can secure something approaching parity, but not exact parity.

Mr. COCHRAN. That would not affect this proposition, that in a country having three forms of currency, as France, a considerable volume of silver, a larger volume of paper, and a redemption fund of gold, enough for all purposes, this money circulating side by side, each a legal tender under all conditions of peace or war?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. If that currency in the aggregate is not redundant, or more than enough to meet the necessities of the country, will not the mere usability of the three distinct forms of money maintain their parity?

Mr. CONANT. In a great many instances, very closely, perhaps; but in a great many it will not.

Mr. COCHRAN. It so closely approximates as to make it immaterial?

Mr. CONANT. No, sir.

Mr. COCHRAN. In France, throughout all the period of disturbances growing out of the readjustment of the commerce of the world to the gold standard, and throughout the period of disorder caused by the

Franco-German war, did not the theory I have advanced work in the manner indicated in my questions?

Mr. CONANT. No, sir; it was not so in France.

Mr. COCHRAN. There has been a substantial parity of all forms of French money, because, while gold was the basis, all money in circulation is a legal tender. But the Bank of France has not redeemed silver with gold. On the contrary, it has refused to redeem paper in gold, using silver for the purpose. Is not it a fact that the Bank of France will not redeem paper money in gold at the option of the holder?

Mr. CONANT. That, I believe, is its right.

Mr. COCHRAN. Now, in France, when gold is needed for export, the exporter must go into the market and obtain it as best he may?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. And if necessary, as is frequently the case, must pay a small premium?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. So French exporters do pay a small premium on gold for export?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. Do you think that is a bad regulation?

Mr. CONANT. Yes, sir; I think it is, for this reason, that it has driven from Paris a large part of the world's international transactions. They have all gone to London, because a man knows that there he will get exactly what his contract calls for in gold.

Mr. COCHRAN. Exportation of gold from Paris does not pay, and so those engaged in that branch of banking go over to London?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. I think some of the Treasury senders might leave our country without doing us any harm. What is the effect of an increase in the bank rate by the Bank of England on the exportation of gold in periods of pressure?

Mr. CONANT. It is a check on the export drain.

Mr. COCHRAN. The export of gold is checked by that means?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. It is checked in France by the refusal of the Bank of France to furnish it?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. Is not an increase in the bank rate by the Bank of England tantamount to a small premium on gold in its effect on the gold market?

Mr. CONANT. In a sense it is, and yet that is not a full statement of the proposition. An increase in the bank rate is an offer for capital as well as for gold, and scarcity of capital means diversion in a large measure of the means of trade. Gold is only its ultimate expression, and the bank rate is raised because capital is scarce.

Mr. COCHRAN. Is not it true that the Bank of England in putting up this bank rate for the purpose of affecting this international movement of gold, for the purpose of stopping exports, also has the effect of putting up the rates to traders and all classes of producers?

Mr. CONANT. Yes, sir.

Mr. COCHRAN. Is not the French system, which confines the transaction to the exporter and the holder of gold, without any disturbance of the bank rate or interference with commerce, better than the English system, which, in order to prevent the export of specie, has to assail the whole fabric of the commercial world?

Mr. Conant. I think there are some merits in both systems. There might be a need for curtailing speculation and reducing inflation, and these results would not be effected by the French method.

Mr. Cochran. I mean in the ordinary course of trade and under normal conditions.

Mr. Conant. Yes, sir; I think there is some advantage in the French method, but I think there are also advantages in connection with the other, and I would not say either is the preferable method. Now, in regard to the Bank of France maintaining the parity of this money, you are aware, of course, that the circulation of France consists now very largely of the notes of the bank resting upon the combined reserve of gold and silver, because the people prefer them to the silver.

Mr. Cochran. Is it not true that the Baring Brothers' failure in South America caused a panic extending throughout the British Empire, and also throughout the United States?

Mr. Conant. It caused a panic in the British Empire, but I should not say it caused a panic in the United States.

Mr. Cochran. Isn't it true that the suspension of the Australian banks and trust companies had a similar effect here?

Mr. Conant. That came almost simultaneously with our panic.

Mr. Cochran. I say it did have an effect.

Mr. Conant. It probably had indirectly, through the reaction on Great Britain, but not the Australian panic directly.

Mr. Cochran. Do not you believe that our gold exports in 1892 and 1893 are directly attributable to these troubles in other countries?

Mr. Conant. To some degree; not altogether. The want of confidence in our standard——

Mr. Cochran. Laying aside the alleged want of confidence in our currency, the situation abroad, occasioning large and unexpected demands of our creditors over there, would have been sufficient in themselves to cause a heavy demand for gold and to cause large exportation?

Mr. Conant. Not what actually occurred.

Mr. Cochran. Now, the Panama Canal failure in France involved directly irretrievable losses greater than those suffered by England in South America and Australia?

Mr. Conant. I do not know.

Mr. Cochran. One hundred and seventy million dollars in gold?

Mr. Conant. Yes, sir. The Baring Brothers may not have had more direct liabilities than that, but their failure shook the whole commercial fabric of the world.

Mr. Cochran. Did the Panama Canal failure cause a panic in France?

Mr. Conant. In what year did it occur? There was quite a panic in 1889, at the time of the copper corner.

Mr. Cochran. That was a corner in stocks, not a financial panic. France has not had a financial panic, such as we have had, in a century.

Mr. Conant. It was pretty severe in 1882, at the time of the copper corner.

Mr. Cochran. It might have been for the copper stockholders, but not in business circles. Is it not true that the Panama Canal scheme and the losses it involved was unaccompanied by a single business failure attributable to it, and within three years from that time that coun-

try, which sustained these enormous losses, through its bank, the Bank of France, did go to the rescue of the Bank of England and loaned $15,000,000 to that institution to help it to tide over what I will call the aftermath of the business failures in South America and Australia?

Mr. CONANT. They did advance them some gold. The reason why the United States can not pursue the policy of either the Bank of England or the Bank of France is because we do not conduct a banking business. The Treasury has undertaken to conduct a banking business to the extent of keeping afloat a mass of paper and silver which is below its nominal value, but does not loan capital or credit.

Mr. COCHRAN. Can you name the period in this discussion at which the advocates of the gold standard abandoned the cry of "the endless chain" and the proposition to take the Government out of the banking business by retiring the greenbacks?

Mr. CONANT. Can I name the time? I think since the revision of the currency laws putting the money upon a gold basis came up for serious consideration.

Mr. COCHRAN. Did it not come up for serious consideration when the bankers, through Mr. Carlisle, in 1897–98, introduced bills for the retirement of the greenbacks, with a view to the termination of the redemption feature of the Treasury, so that the Government would not have any obligations outstanding and therefore would not need a gold reserve? Was not that the theory of the Carlisle bill introduced at that time?

Mr. CONANT. I can not say fully, but I should say that in order to float $500,000,000 or over we would have to maintain some reserve.

Mr. COCHRAN. Mr. Shafroth asked you whether you did not think it was preferable to write promises to pay on paper rather than on silver worth 50 cents of its face value. Would not that, put in a reserve form, be considered ample reserve against the token?

Mr. CONANT. Yes; if it was put in gold.

Mr. COCHRAN. You said you thought it would have a serious effect on the currency of the world. Would it have any effect on our currency to get rid of a token worth 50 per cent of its face value and put its price in the Treasury?

Mr. CONANT. No, sir; so far as that goes, the exchange of our $500,000,000 in paper for $250,000,000 in gold would be an admirable thing, but unloading all that silver on the world's market would have a very demoralizing effect on silver and might produce disturbances in other countries which might react upon our commercial relations.

Mr. COCHRAN. Might do it?

Mr. CONANT. Yes; because if it was unloaded instantaneously, it would be like a bolt from heaven.

Mr. COCHRAN. But to market it as expeditiously as possible you maintain would have no bad effect?

Mr. CONANT. You could not market $250,000,000 worth of silver without producing some effect.

Mr. COCHRAN. That would be a depression in the value of eastern exchange.

Mr. CONANT. Do you mean oriental exchange?

Mr. COCHRAN. Yes, sir.

Mr. CONANT. I do not know. They are now in India upon a gold basis, and they will probably maintain it.

Mr. COCHRAN. Are they on a gold basis?

Mr. CONANT. To the extent that they have a reserve and endeavor to maintain a fixed rate of exchange.

Mr. COCHRAN. They fiat a rate of exchange.

Mr. SHAFROTH. They fiat the difference between 32 to 1 and 22 to 1.

STATEMENT OF HON. JESSE OVERSTREET, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA.

Mr. OVERSTREET. Mr. Chairman and gentlemen of the committee, I will say that I have no regularly prepared statement which I was expecting to make. I am obliged to the committee for the invitation to appear before you. I have listened to Mr. Conant more than interestedly, and I will say that I thoroughly approve of the general views which Mr. Conant has expressed. I go upon the assumption that inasmuch as the American Government has already adopted the gold standard as our tool of measurement, if any inconsistencies or weak points should develop in that legislation, any other legislation which is proposed to remedy those defects or strengthen those points is wise legislation.

I have advocated very ardently the security and certainty of a fixed standard of value, and under conditions which I believe to have existed in this Government for many years, and exist to-day, have felt that the gold standard was the wiser tool of measurement of values. The proposition of exchangeability of our metallic currency, therefore, in my judgment, is merely to make more certain the security of that standard and to dispel any doubt which may prevail as to whether or not there is a weak spot in our currency or monetary system relative to any particular kind of our money. Basing, therefore, our assumption upon the establishment of a fixed standard of value, I will say that it seems to those who have advocated that system of monetary affairs that, inasmuch as gold is made the tool of measurement, gold certificates are practically mere warehouse receipts for an equal amount of gold on deposit.

The greenback, having been lifted from its anomalous position of a promise to pay, has been secured in its value and position in our general system by resting absolutely on the statutory provision of payment in gold. The silver certificate is similar in all respects to the gold certificate, and is merely evidence of an equal amount of silver that has been deposited and is held as a trust fund against it. There has arisen, therefore, in examining the various relationships of one form of money to another, a doubt as to whether, even under our latest statutes, the silver dollar has been given its correct place or position in the monetary system of the Government, and whether or not by reason of that doubt there is not some further legislation necessary.

It has been my personal belief that we have been on the gold standard since 1834, and in all probability the legislation of recent years might have been found unnecessary but for legislation relative to the coinage of silver; but whether we would, if we started a new financial system, issue silver money in the same proportions and in the same manner as we now issue it, is not the question in my mind. We find it here. It is here in certain volumes. It is here in a certain coin, which is one half promise and guarantee and the other half intrinsic value, and the question concerning us is the relation we shall give it in relation to a harmonious, stable financial system or policy.

I differ from some gentlemen in whom I have confidence as to "ex-

changeability" and "redemption" being synonymous. Redemption is payment, discharge; exchangeability is, to use a homely phrase in the West, a "swap." We have the anomalous situation relative to greenbacks of their redemption, so called, and reissue. But for the language used in the law, "reissue," redemption would be payment; but the direct provision that when redeemed it shall be reissued gives it rather an anomalous position. Therefore, an exchangeability of our metallic money would not be redemption, in my judgment. Inasmuch as we have a very large volume of silver based in part upon the security of the Government for its parity, I believe that direct exchangeability of the two metal coins at the Treasury upon the option of the holder would, first, further strengthen the gold standard by dispelling whatever doubt there may be of the intention of the Government to maintain the absolute parity of the two metals, and, second, it would remove all necessity for the exchange of the money because of such doubt.

But when it has become certain that the Government, in the maintenance of its standard, will at all times freely meet the demands of holders of either gold or silver by the exchange of it for the other, then the necessity for its exchange at the Treasury becomes reduced to the legitimate methods of exchange for the export trade, or of obtaining a different denomination for convenience. By the use to which silver has been put, as the change money of the country, its limitation to denominations suitable for distributing it through the channels of trade every day, to the extent that it will be fastened hold of, the possibilities of its being gathered up for exchange for the purpose of establishing an anomalous condition is reduced to the minimum.

I think that the certainty which has been established by recent legislation as to the standard has had largely to do with the lack of discrimination which occurs to-day between gold and silver, that if the exchangeability should be established by law, then the kind of money in which payments should be made would never be a subject of dispute, and consequently the gold would be presented at the Treasury for the purpose of exchange for silver legitimately for the purpose of obtaining smaller denominations, and silver would be presented for gold legitimately for the purpose of obtaining larger denominations, and also for the purposes of foreign trade. And the anomalous condition which would create any strain at all upon the standard could only arise when a greater amount of either metal should be presented at any given time than the resources of the Treasury would be able to meet.

And under the uses to which the different metals are put in trade, uses which legislation does not always control, uses which are created by the demands of the individual, and practically distribute the coin, the opportunity for their presentation so as to produce anomalous conditions has been very largely removed. I believe, therefore, that any legislation which seeks to further dispel the criticism of doubt as against either one of the metals, that kind of legislation is wise, and in a general way I am disposed to give it my cordial approval.

Mr. Cochran. Now, at this time, national-bank notes presented at the Treasury may be redeemed in any form of currency outstanding?

Mr. Overstreet. National-bank notes are redeemable in lawful money.

Mr. Cochran. Any form of lawful money? Should this bill become a law this "lawful money," no matter what its form, could be presented at the Treasury and there exchanged for gold?

Mr. OVERSTREET. Well, if it is a metallic currency it could. I separate that from the gold and silver certificates.

Mr. COCHRAN. Greenbacks could be so presented and exchanged?

Mr. OVERSTREET. Yes, sir; and the silver certificates could not be presented immediately for payment in gold, because they would have to be exchanged for the silver.

Mr. COCHRAN. That would be done at another window?

Mr. OVERSTREET. Yes.

Mr. COCHRAN. But silver certificates could be instantly converted into a demand on the gold reserve?

Mr. OVERSTREET. Practically so.

Mr. COCHRAN. Then the gold-redemption fund is at least indirectly responsible for the redemption of national-bank notes, is it not?

Mr. OVERSTREET. Indirectly; yes, sir.

Mr. COCHRAN. It is now also liable for greenbacks?

Mr. OVERSTREET. Yes, sir.

Mr. COCHRAN. This bill makes silver dollars exchangeable for gold at the Treasury, at the option of the holder?

Mr. OVERSTREET. Yes, sir.

Mr. COCHRAN. Then the charges upon the gold reserve would be, first, the greenbacks, amounting to $346,000,000?

Mr. OVERSTREET. Yes, sir.

Mr. COCHRAN. Second, $500,000,000 of silver?

Mr. OVERSTREET. Yes, sir. I am assuming that your figures are correct.

Mr. COCHRAN. Can you state the amount of national-bank notes now outstanding? My recollection is that $300,000,000 is not far from the figure.

Mr. OVERSTREET. It is over $300,000,000.

Mr. COCHRAN. I will put it at $300,000,000. Thus we must add to greenbacks, including the Sherman bill issue and the silver dollars, the national-bank circulation of $300,000,000; so that, approximately taken, the money which after the passage of this bill will be redeemable in or exchangeable for gold, aggregates about $1,200,000,000, nearly quadrupling the sum of the credit issues, which in 1893, 1894, and 1895 were available for "Treasury raiding," or, in politer terms, which then formed what was called "the endless chain."

Mr. OVERSTREET. I do not wholly agree with you.

Mr. COCHRAN. Would not this bill make all the various forms of currency, including silver dollars, available?

Mr. OVERSTREET. No, sir; I do not agree with you.

Mr. COCHRAN. What form of currency now in circulation in this country would not be a charge upon the gold reserve, directly or indirectly, upon the passage of this bill?

Mr. OVERSTREET. My judgment is that all forms of money are in certain degrees a charge upon the gold reserve. The method of reception by the Government in the revenues makes the silver to-day a certain charge upon the gold reserve.

Mr. SHAFROTH. How?

Mr. OVERSTREET. The revenues of the Government exceed in any one year the total output of silver—at all events, it is not very far from it—and it is possible, therefore, that they should be gathered up and sent back to the Treasury through that channel, of the collection of revenue. It is possible for all the silver, both in certificates and

outstanding dollars against which certificates are issued, to in any one year come to the Treasury.

Mr. COCHRAN. Would not, then, withdrawal from circulation inevitably so deplete the volume of currency available for commercial purposes as to cause a premium in the markets?

Mr. OVERSTREET. If it were possible for that amount of one kind of money to come at one time it certainly would. But I do not believe that it is possible, or that it ever will be possible. There is a certain demand which exists every minute of the twenty-four hours of every day in every year for different kinds of money, which makes it practically impossible for any certain amount of any one kind of money to be presented at any one time. That has been demonstrated very decidedly.

Mr. COCHRAN. Is not it a fact that when this bill shall have been enacted into law, the gold reserve——

Mr. OVERSTREET. What bill?

Mr. COCHRAN. The bill pending.

Mr. OVERSTREET. There are two or three.

Mr. COCHRAN. The committee bill.

Mr. SHAFROTH. It provides for the redemption of silver dollars in gold.

Mr. OVERSTREET. I do not understand the Levy bill does provide for that. My understanding is that the Levy bill provides for the exchangeability of denominations——

Mr. HILL. He has amended that.

Mr. OVERSTREET. I did not know that.

Mr. COCHRAN. When the bill shall have been enacted into law providing for the exchangeability of all kinds of money for gold, thus making the gold reserve answerable, first, for the redemption of greenbacks and other Government paper notes outstanding; secondly, exchangeable with $500,000,000 of silver; and third, answerable, as I have said it is in effect, for the redemption of national-bank notes—would not that make every form of currency, and every dollar of currency in this country, either directly or indirectly a charge upon the redemption fund?

Mr. OVERSTREET. It is a charge upon the redemption fund in the same manner in which every yard of cloth in a retail establishment is a charge upon the rule of measurement. It is so with any tool of measurement of values just as much as with another. I feel it necessary to say, in order to complete my statement, that a charge may exist without creating that danger of breaking the tool of measurement that the mere statement of the entire volume would at first indicate.

Mr. COCHRAN. During the period of distress in 1893, 1894, and 1895 demands upon the Treasury for gold were invariably and immediately followed by gold exports of about the same amount, were they not?

Mr. OVERSTREET. I do not recall the fact; that is practically so.

Mr. COCHRAN. That is true. Now, at that time, under the rulings of the Treasury, and under the general conception of the meaning of the laws of the country, the greenback and Sherman note were the only redeemable Treasury obligations outstanding, were they not? Redeemable in gold, I mean.

Mr. OVERSTREET. I think so.

Mr. COCHRAN. So that the banks and others that wanted to get

gold out of the Treasury had first to get a sufficient number of legal-tender notes, as they were called, and present them; thus they passed into the Treasury, and until they were paid out of the Treasury no further demands on the Treasury could be made?

Mr. OVERSTREET. That is so, and for that reason there is less liability for the procuring it by the silver certificates in the denominations used in everyday trade.

Mr. COCHRAN. As a result of what was called "Treasury raiding" by the use of the greenback, those who were supposed to represent the views of the gold-standard people at that time, both Republicans and Democrats, demanded the retirement of the greenbacks so as to take out of circulation the only form of currency which was then deemed a charge upon the gold reserve?

Mr. OVERSTREET. Yes, sir; there was such a demand.

Mr. COCHRAN. And a measure was introduced in Congress for that purpose.

Mr. OVERSTREET. I do not know to what you refer.

Mr. COCHRAN. To Mr. Carlisle's bill.

Mr. OVERSTREET. I do not think he introduced any bill in the Fifty-fourth Congress.

Mr. COCHRAN. He wrote the bill.

Mr. OVERSTREET. I do not recollect.

Mr. COCHRAN. He wrote it. It was understood to be the Carlisle bill, and was referred to by that name by the press and in the Congressional debates.

Mr. OVERSTREET. I do not know what bill you refer to as introduced in the Fifty-fourth Congress.

Mr. SHAFROTH. The Fifty-fourth, it was. They bent all their energy on the repeal of the purchasing clause of the Sherman Act in the Fifty-third Congress.

Mr. COCHRAN. Now, instead of retiring the greenbacks and the Sherman notes, and so destroying the "endless chain" and dispensing with the necessity of maintaining a Treasury gold reserve, this measure proposes to add to the "endless chain" the silver circulation of the country.

Mr. OVERSTREET. The greenback has now been virtually converted into a gold certificate.

Mr. COCHRAN. I do not care what it is converted into, it is a demand on the gold reserve.

Mr. OVERSTREET. Yes, sir; and as to a provision making silver exchangeable for gold, I think by making absolutely certain the gold standard and providing a reasonable amount to meet such demands the tendency to make such presentations would be removed.

Mr. COCHRAN. But in order to divert your mind from that view of the situation I will refresh your mind. I call your attention to the fact that during 1893, 1894, and 1895, while it was said that gold redemption was demanded on the ground of a want of confidence, the truth is that when demands for gold were made the gold was immediately shipped to London, showing that it was the demand for gold for export that caused the demands upon the Treasury.

Mr. OVERSTREET. I think a want of confidence had something to do with that demand and that exportation.

Mr. COCHRAN. Yes; but the actual fact is that when the gold was demanded it was shipped to London.

Mr. CONANT. The statistics show that a very considerable amount remained in this country.

Mr. COCHRAN. Is it not true that a great loss of gold occurs every year from foreign laborers who come here to reside only temporarily and work in our mines two or three years and go away with a few hundred dollars apiece?

Mr. OVERSTREET. I think that loss is nearly offset by the people who bring gold into the country.

Mr. COCHRAN. But in 1893, 1894, and 1895 the movement of population was the other way.

Mr. CONANT. They hardly carried more than $2,000,000 or $3,000,000.

Mr. COCHRAN. The labor statistics down here at the Labor Bureau state that there were a great many Austrians and Italians who returned to Europe in those years.

Mr. CONANT. With the small amounts they carried it would take a great many of them to amount to anything.

Mr. OVERSTREET. Since the firm establishment of the gold standard and the provisions in regard to silver, making it impracticable for the presentation of large amounts, I am no longer disturbed about the danger of the presentation of silver for gold at the Treasury.

Mr. SHAFROTH. Under existing law?

Mr. OVERSTREET. Yes, sir; under existing law and existing conditions.

Mr. SHAFROTH. Now, Mr. Overstreet, what conditions could make it possible, in your judgment, for silver to go to a discount as long as the National Government takes it in payment of its internal-revenue and custom dues and it is taken in payment of county, municipal, and State taxes and made legal tender for the payment of all obligations, public and private?

Mr. OVERSTREET. The silver dollar will not go to a discount as long as the Government maintains it at a parity with gold.

Mr. COCHRAN. In view of the limited quantity of the silver, is it possible, under the enormous demands upon it, for it to go to a discount, and under what conditions could it go to a discount?

Mr. OVERSTREET. I think if the Government should directly withdraw its support of the parity that the trade uses of silver would not keep it from going to a discount.

Mr. COCHRAN. If the trade uses and legal-tender quality and receivability of it was——

Mr. OVERSTREET. I have never regarded the legal-tender quality as an element of value.

Mr. COCHRAN. Do you not think that it creates a demand for it and so creates a value?

Mr. OVERSTREET. I doubt it. It is a matter of convenience to prevent a rapacious creditor from demanding a certain kind of money to the inconvenience of a debtor.

Mr. COCHRAN. In periods of liquidation do not debtors necessarily seek—must they not have—legal-tender money, and does not this increase the demand and consequently enhance the value?

Mr. OVERSTREET. I do not think legal tender has ever added anything to the force of any money.

Mr. COCHRAN. Do you remember that in the nineties, in the darkest days of the panic, silver dollars, being a legal tender, suffered no depreciation, and yet at that time nobody had dreamed of their redemption in gold?

Mr. OVERSTREET. There are in history strenuous conditions which create a demand which a legal-tender quality alone will supply; but I take it from the experience in the course of years, and I do not think the legal-tender quality alone would carry any money.

Mr. SHAFROTH. What is the use of having currency in circulation that involves an expenditure or an investment by the Government of $250,000,000 when its promises to pay could be written on paper?

Mr. OVERSTREET. That is the old fiat idea—of the paper being just as good as something of value. If we were starting a monetary system whereby we had at the start no silver coinage I would say there was absolutely no use, in answer to that question; but inasmuch as we have it, and a part of it is fiat, we must shape our system to meet the present conditions.

Mr. HILL. But if you were starting, you would start out with a currency purely of bank issues rather than of Government currency?

Mr. OVERSTREET. Exactly so.

Mr. SHAFROTH. Mr. Overstreet, you think that the exchangeability of gold for silver makes the silver dollars promises to pay gold.

Mr. OVERSTREET. That does not in itself make them promises to pay gold.

Mr. SHAFROTH. Why does it not, if you say they are exchangeable at the option of the holder?

Mr. OVERSTREET. The silver dollar to-day, in my judgment, is a token money, because we have a certain per cent of it, equal to about 50 per cent, which is not intrinsic value, and our inability to separate——

Mr. SHAFROTH. It is not maintained at that value by redemption to-day.

Mr. OVERSTREET. It is maintained by the guaranty of the Government.

Mr. SHAFROTH. By an indefinite guaranty.

Mr. OVERSTREET. Yes, sir; a definite guaranty of the statute.

Mr. SHAFROTH. It is not redeemed when presented at the Treasury. You can not get gold for silver.

Mr. OVERSTREET. ——

Mr. SHAFROTH. Do not you promise to pay it back?

Mr. OVERSTREET. Not exactly promise to pay.

Mr. SHAFROTH. Do not you think that the inevitable result of this exchangeability, as you call it, or the promise to pay, will be a total annihilation of silver dollars?

Mr. OVERSTREET. No; I do not think so.

Mr. COCHRAN. Do you think the Government will continue to have $250,000,000 invested in silver when it is redeemable in other money?

Mr. OVERSTREET. What do you mean by "continue to have?"

Mr. SHAFROTH. I mean, will it not sell it?

Mr. OVERSTREET. I think as an economic proposition it would be wisdom to do it, but I do not think it will be done, because the fact that we have over $500,000,000 of silver money, or according to its intrinsic value, only half that amount, is not in itself a reason for the Government selling it. The Government would hesitate to sell such a large body of silver either if it were wise from an economic standpoint, because it is a part of the general monetary system.

Mr. SHAFROTH. Then you believe the change would be a very slow one?

Mr. OVERSTREET. If it does come, it will be absolutely necessary for it to go very slow.

Mr. SHAFROTH. Do you think that for the interests of the Government it is best that the nation which is producing one-third of all the silver of the world should be the first to take steps for the further depreciation of silver?

Mr. OVERSTREET. I do not undertake to say that the Government is taking any steps for the purpose of depreciating silver. We find in our monetary system certain elements. Right or wrong, they are here, and it is proper that Congress should make such legislation as will secure the parity of these moneys, which the Government has thought to do by certain provisions which it has put into operation. It would be a breach of faith on the part of Congress, in my judgment, to permit the inequality of our money.

Mr. SHAFROTH. No such inequality has occurred yet.

Mr. OVERSTREET. But if no inequality has occurred, but is likely to occur, then it is the province of Congress to throw sufficient safeguards about it. That was the reason for the repeal of the purchasing clause of the Sherman Act, because the continuance of the coinage of the silver dollar under the law of 1890 was having a tendency to weaken the monetary system of the Government, and Congress stepped in under its authority and checked that.

Mr. SHAFROTH. That was while the increases were going on?

Mr. OVERSTREET. Yes, sir.

Mr. SHAFROTH. But is it not a fact that on account of the limited number of silver dollars and their availability for the purposes of all exchanges in business, for the payment of credits and taxes, and because now the demand is growing greater and greater for it each year the possibility of silver going to a discount is removed?

Mr. OVERSTREET. I think there is quite a sufficient amount of silver coinage in our present monetary system, and it will be a great many years before there will be any need to increase it. I believe we could get along with less of it.

Mr. SHAFROTH. Has not there been more danger in the past of the silver dollars going to a discount than there is at the present time, with the present quantity of silver and with the increasing demands for its use?

Mr. OVERSTREET. I think there is no likelihood of the silver dollar going to a discount so long as the Government credit is back of it, and that Government credit is clearly put into practice and operation by the establishment of exchangeability.

Mr. SHAFROTH. That credit was established by the act of March 14, 1900.

Mr. OVERSTREET. It existed before that.

Mr. SHAFROTH. Not in a statute.

Mr. OVERSTREET. Yes, in a statute that repealed the purchasing clause of the Sherman Act.

Mr. SHAFROTH. Previous to that there was none.

Mr. OVERSTREET. In the original passage of the Sherman Act note in 1890 I think there was such a provision as to the maintenance of the parity.

Mr. SHAFROTH. Yes; but they did not say how.

Mr. OVERSTREET. That is what I say.

Mr. SHAFROTH. There is no law requiring the maintenance of the parity and redemption in gold except this act of March 14, 1900.

Mr. OVERSTREET. I think we ought to go further and make provision for a practical method of operation, and that is done by exchangeability.

Mr. SHAFROTH. Do you not believe that all silver money ought to be wiped out of existence?

Mr. OVERSTREET. No; I do not.

Mr. SHAFROTH. Is not that what you really think?

Mr. OVERSTREET. No. The object of the monetary system is to meet the demands of the people whom that system interests, within proper bounds.

Mr. HILL. In the House bill this language is used:

If the Secretary of the Treasury deems it necessary in order to maintain the parity between all the money of the United States, he may, at his discretion, exchange gold coin for any other money issued or coined by the Government of the United States.

Now, do you think it is advisable to go further than that now and make the exchangeability both ways absolute, without any reference to the necessity of maintaining the parity; in other words, to put upon the Treasury Department the burden of the banking function by dividing up denominations by law?

Mr. OVERSTREET. I think it is sound and would operate. I can readily see, however——

Mr. HILL. Why would you not be satisfied with the precise language of a year ago?

Mr. OVERSTREET. I can readily see that it would be more of a draft upon the Treasury to present the silver dollars for gold than it would be gold for silver dollars, and hence the statement I made that I am no longer disturbed about any necessity of any great presentation of silver dollars for gold; but I am in doubt as to the ability of the Treasury to meet the demand for silver dollars upon the presentation of gold. But I fully believe that it would be sound and would operate. While I believe the law of last year contains just the language you read, I believe, in view of the successful operation of the law since last year and the practical soundness of it, that we could well adopt the language I now advocate.

Mr. HILL. I ask, in view of the bill you have presented, would not it be wise to have any law so framed that the Secretary of the Treasury would have discretionary power to exchange the coins over the counters of the subtreasuries; or, if the anomalous condition arose where the reserve fund ought to be used, that he should have an option of using the reserve fund, but that he should not be required to use the reserve fund and run it through that machinery unless circumstances compelled him to do it?

Mr. OVERSTREET. Exchangeability is a different proposition from redemption, according to my idea.

Mr. HILL. Do you not think that the bill should be so framed that the Secretary of the Treasury could take either course he saw fit, according to circumstances; that the Secretary of the Treasury should exchange coins over the counter of the subtreasury just as they are exchanged over a bank counter?

Mr. OVERSTREET. I wish to reserve the right to reply to that.

Mr. HILL. In framing a bill would it not be advisable to give the Secretary of the Treasury the discretion of making direct exchangeability over the counters, as is being done to-day, or, in case of any

anomalous condition arising, of then falling back upon the reserve fund and the powers by which it is maintained?

Mr. OVERSTREET. I think in a general way that is correct. Yet I believe that the law ought to be sufficiently specific to guarantee that, no matter who is Secretary of the Treasury, he should follow that line.

Mr. HILL. Yes; but if the exchangeability at the will of the holder should be made mandatory, that would cover it?

Mr. OVERSTREET. Yes, sir.

Mr. COCHRAN. Now, as to the difference between exchangeability and redemption, a greenback presented at the Treasury to-day and redeemed in gold goes into the Treasury under a statute which permits it to be paid out again?

Mr. OVERSTREET. Yes, sir; which requires it to be paid out.

Mr. COCHRAN. That has been the case ever since the resumption of specie payments?

Mr. OVERSTREET. Yes, sir.

Mr. COCHRAN. Now, I will ask you if this law would not place the silver dollar in precisely the same relation to the gold reserve that the greenback sustains?

Mr. OVERSTREET. Yes, sir; I think so.

Mr. COCHRAN. Then this law aims to make the greenback and silver dollar precisely alike in functions and offices in our monetary system?

Mr. OVERSTREET. I think so.

Mr. COCHRAN. It takes out of the silver dollar the last remnant of its former office of specie money of redemption and passes it over into the list of moneys that are a charge upon the redemption fund in one form or another.

Mr. OVERSTREET. I do not agree that it has any power of basic money now.

Mr. COCHRAN. I know.

Mr. OVERSTREET. So that this bill, if enacted, would not change that relation of the silver dollar.

Mr. COCHRAN. But if it has at this time any standing as a basic money, this would deprive it of that standing.

Mr. OVERSTREET. No more than the silver dollar.

Mr. COCHRAN. That is what I am talking of.

Mr. OVERSTREET. No more than the gold dollar, which this law provides shall be exchanged for silver.

Mr. COCHRAN. Do you think the time has arrived when by this enactment it should be definitely announced to the world that the United States, through its Government, renounces all effort to maintain a bimetallic system of coinage?

Mr. OVERSTREET. I think it has already made such a declaration.

Mr. COCHRAN. And this is a further declaration in the same line?

Mr. OVERSTREET. Yes, sir.

Mr. COCHRAN. And it must be taken definitely as a declaration on the part of our Government that in future we will abide by the gold standard?

Mr. OVERSTREET. I think that determination was reached on March 14, 1890, and the only question is now what steps should be taken in reference to legislation to merely emphasize that.

Mr. COCHRAN. And you think that the proposition to attempt to restore bimetallism by international agreement must now be definitely abandoned?

Mr. OVERSTREET. I think it has been definitely abandoned.

Mr. COCHRAN. It has been?

Mr. OVERSTREET. Yes, sir.

Mr. SHAFROTH. By the United States?

Mr. OVERSTREET. By the United States.

Mr. OTJEN. In one of the bills we have before this committee it provides for authorizing the Secretary of the Treasury to coin the bullion in the Treasury into subsidiary coin.

Mr. HILL. As required by public necessity.

Mr. OTJEN. And then after that he may coin the silver dollars into subsidiary coin. Do you think that provision authorizing him to coin the silver dollars into subsidiary coin is a wise provision?

Mr. OVERSTREET. I doubt the propriety of authorizing any silver dollars to be coined into subsidiary coin. I think the trade of the country could readily absorb enough subsidiary coin to warrant the coinage of the bullion in the Treasury into subsidiary coin, but I think in the near future there will not be any more demand than could be met with what we now have.

Mr. HILL. Did you hear Mr. Roberts's statement as to the time necessary to coin the bullion into subsidiary coin?

Mr. OVERSTREET. Yes, sir.

Mr. HILL. I would like to ask you, would you, in stating that you would not deem it advisable to authorize the Secretary of the Treasury, when public necessity required, to recoin the silver dollars, wish to be understood as saying that when public necessity required a further amount of subsidiary coin you would retain the present amount of silver dollars and buy more bullion?

Mr. OVERSTREET. No; I would not be so understood.

Mr. HILL. Do you understand that this bill looks forward to the time when the public demand will exhaust the bullion, and then, if public necessity requires (this being merely conditional), then he shall go into the coinage of the silver dollar into subsidiary coin?

Mr. OVERSTREET. I understand that feature of the bill, but I doubt the propriety of anticipating such a demand so far in the future, and making provision for the coinage. I regard the silver money, either in the silver dollars or certificates based upon them, as the change money of the country, and we make a use for it in that way. A silver one-dollar piece will take the place of two half dollars, and to that extent the silver dollar to-day performs the part or functions of subsidiary coin, and by increasing the volume of half dollars, quarters, and dimes we deprive the silver dollar of just that degree of use to which I believe it should be put. Hence to change the volume of subsidiary coin would be to make it take the place of a part of the use to which the silver dollar should be legitimately put.

Mr. HILL. You know that prior to the coinage of the silver dollar the per capita of subsidiary coin in this country was considerably larger than it is now.

Mr. OVERSTREET. I think prior to March 14, 1900, it was $60,000,000.

Mr. HILL. I mean prior to the war.

Mr. OVERSTREET. Yes, sir; I think that is true.

Mr. HILL. Would you like to see legislation that permanently fixes in our present monetary system the present number of silver dollars?

Mr. OVERSTREET. No, sir.

Mr. HILL. I understand you to say that as an economic provision

you think it would be wise to sell the bullion, but as it would cause a disturbance of the monetary system of the world you would object to it.

Mr. OVERSTREET. Yes.

Mr. HILL. Would not you think it would be better if it should be merely recoined into subsidiary coin rather than that it should be eliminated from the currency—that it would be better to handle it in that way rather than to sell it?

Mr. OVERSTREET. Yes, sir; I do.

Mr. HILL. That is all the present bill contemplates. When public necessity demands it it shall be reached and eliminated in that way.

Mr. OVERSTREET. I should say that when the demand for subsidiary coin had exhausted the coinage of the bullion in the Treasury and that demands should further continue, that the next step should be the coinage of a certain proportion of the silver dollars into subsidiary coin, but I doubt the propriety of legislating to-day to meet that necessity, because it is so remote that it could be reached readily and practically by future legislation.

Mr. HILL. You recollect that the recoinage of the silver dollar would have a tendency to increase the demand for subsidiary coin——

Mr. OVERSTREET. I do not understand.

Mr. HILL. If you reduce the silver dollars you would increase the demand for subsidiary silver coin.

Mr. OVERSTREET. Yes, sir; because the silver dollars themselves perform the function of subsidiary coin.

Mr. HILL. Do you know of any reason why the United States should not carry as much subsidiary coin as Germany or England?

Mr. OVERSTREET. I do not pretend to be perfectly informed on foreign countries, but my idea is that in those countries there is a larger proportion of small transactions and contracts in trade than in this country, and naturally a larger proportion would be needed there than here.

Mr. HILL. Mr. White stated that one reason we could carry more was that our wages are larger and our business activities are larger.

Mr. COCHRAN. Did not he also state that there was a very much larger number of private hoards among the poorer classes, all those being kept in the form of money?

Mr. HILL. Yes; he did not refer to France.

Mr. COCHRAN. I would like to state in that connection that Mr. White did not state that this applied only to France, but practically equally to Germany; and I desire to add, on my own responsibility, that the fact is that the holding of the hoards in Germany is more common, because in France nearly all the people are fundholders and do not so generally keep their savings in specie.

(Thereupon the committee took a recess until to-morrow morning at half past 10 o'clock.)

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES.

Tuesday, January 22, 1901.

The committee met at 10.30 o'clock a. m., Hon. J. H. Southard in the chair.

The CHAIRMAN. Yesterday we took a recess until half past 10 this morning for the continuation of these hearings on House bills Nos.

13032 and 13099. We have invited Mr. Fowler here this morning, and if no one has anything different to suggest we will be glad to hear him.

Mr. HILL. I asked Mr. Fowler if he would not speak especially on the subject of the advisability of making silver certificates as well as silver dollars interchangeable for gold, and also as to the advisability of the coinage of the silver bullion and the coinage of the silver dollars into subsidiary coin as fast as absorbed by the people.

STATEMENT OF HON. CHARLES N. FOWLER.

Mr. FOWLER. As I understand the question which you have been considering here, fundamentally, it is to arrive at a conclusion that will maintain the parity of our legal-tender money, and if that is the primary question there evidently is a need of only one thing, and that is to legislate to make the silver dollar equal to the gold dollar in the market; in other words, to bring the silver dollar to a parity with the gold dollar. There is therefore no need of making a silver dollar exchangeable for a gold dollar, but only a gold dollar exchangeable for a silver dollar.

To take the other step and make legal-tender money interchangeable would impose upon the Government, probably, the duty of gathering together at certain seasons of the year silver money for the purpose of sending it to the remote parts of the country for moving the crops and doing the small work of trade. That is not a duty of the Government, but the natural and proper work of banking institutions. This Government has been compelled to do a great many things which do not inhere in the office of the Government, in my judgment, because of the peculiar situation into which it has drifted.

If it is true that the object of legislation is to establish the parity of our legal-tender money, and therefore that the exchangeability of gold for silver will do that thing, and the other thing ought not to be done because it imposes an obligation upon the Government that does not inhere in its duty, it follows that the Government should not make its gold interchangeable for silver certificates, which are mere warehouse receipts.

I take it that the reason for making the silver dollars interchangeable for gold is to establish absolute confidence in the legal-tender money of the country and to convince the people that the Government is absolutely honest and intends to make every legal-tender obligation, which a man is bound to take in a transaction, as good as the standard which it has established, which is the gold dollar.

Now, with regard to the coinage, I do not believe that any legislative body can determine wisely how much subsidiary coinage is needed; that the call for it is a natural one, growing out of trade, and therefore it should be a matter entirely within the discretion of that officer of the Government who has in charge the coinage of such subsidiary money.

That being the case, it seems to me as though the Secretary of the Treasury should be authorized to coin whatever of bullion or whatever of silver dollars may come into the Treasury into subsidiary coin until there is a saturation of the channels of trade with these subsidiary coins, and he alone, as a result of experience and current observation, could tell when the point of saturation was reached, and then wisely stop until the demand should again arise. Therefore it seems

to me it would be wise legislation to give him the authority, first, to coin the bullion, and, next, to proceed to coin from time to time currently, as trade demands, so much silver, now represented by dollars, as will meet the requirements of trade. I believe that covers the point which you suggested for observation and remark.

Mr. Hill. You understand the Director of the Mint has stated that in his judgment it would take five years to coin the bullion in the Treasury and get it into the hands of the people under the provisions of any law before the silver dollars could be reached. Would you anticipate any trouble five years from now in beginning upon a gradual coinage of silver money and reducing the volume of silver dollars in view of the increase of gold?

Mr. Fowler. I do not think you would meet any difficulty if, through the natural operations of trade, the country would absorb all of your bullion, if you could coin it, and fifty or a hundred millions of your legal-tender silver dollars within two years or one year, nor do I believe it would have the slightest effect upon the commercial prosperity of this country except to insure its continuance and steadiness.

Mr. Boutell. I would like to ask one question on the first point. You say silver certificates are simply warehouse receipts. They entitle the holder of the receipts to get the silver dollars at any time he wants them, and this contemplated legislation requires the Secretary to give gold for the dollars. Would not the exchangeability of the certificates for gold be simply a convenience to the holders of the certificates in doing that which they could not be prevented from doing and at the same time not be of any inconvenience to the Treasury?

Mr. Fowler. In the first place, I do not believe in making it convenient for any man to take gold out of the United States Treasury. We are in the anomalous position to-day of saying to all the world: Come to me, and I will furnish you gold free, without limit and without charge above par, although gold is just as much a commodity between countries as wheat, meat, cotton, or iron. With $346,000,000 of greenbacks, with $500,000,000 of silver, and with our national-bank notes, which amount to $340,000,000——

Mr. Shafroth. Then there are the $60,000,000 issued under the Sherman Act.

Mr. Fowler. And the $60,000,000 under the Sherman Act. There is a total of more than $1,200,000,000 that this Government, directly and indirectly, is compelled to maintain upon a gold basis. Under adverse circumstances instead of favorable conditions, such as we are now having, I would consider that we were living in a fool's paradise, because what we suffered in 1893 under present conditions may come again, and we are not in as strong a position to-day, from a legal point of view, as we were then, for the reason that then the Government could impound all of the greenbacks and Treasury notes and stop the endless chain, when to-day, through our own legislation, they are compelled to facilitate the work of the endless chain by making the links just $50,000,000 long. Therefore, instead of doing anything that would facilitate the power of our people at home or the nations abroad to extract this gold I would throw across their pathway every legitimate obstruction. Did I answer your question, Mr. Boutell?

Mr. Boutell. Not entirely to my satisfaction. Your reason is very clear, but does the withholding of the right of redeeming the silver certificates in any way help the matter? As I understand it, if a man

holds the warehouse receipts and wants gold very badly he will get it. He can always get silver for the certificates, and when he gets his silver we propose to so legislate that he can get the gold for the silver. In other words, to describe the mere physical transaction, if a man would go to the Treasury with $100,000 in silver certificates and put them down on the counter of the Treasury the Treasury would put beside them 100,000 silver dollars, and the man simply shoves back the silver dollars and says, "Now give me gold."

Mr. FOWLER. Yes. I appreciate that, but the hope that I think we ought to entertain from our last legislation and the wisdom of men as they come more and more to know something about the subject is going to lead us to convert all of this silver bullion into subsidiary coin and small notes. I think myself that there ought to be no one-dollar bills. I think there should be no one-dollar silver pieces. It is a bungling, inconvenient piece of money. If any man has ever tried as a matter of experiment to carry around a few dollars in quarters, and then another day carry around some halves, and then another day carry around some dollars, you will find that your own disposition favors halves and quarters very decidedly as against the dollar pieces. I have tried that to see what effect it had on me personally, and became convinced that the smaller coins were much to be preferred.

I am also convinced that, so far as the one-dollar bill is concerned, it is a very unhygienic piece of money and not so convenient as subsidiary coin. It is always the dirtiest piece we have, because of its frequent use; next smallest is the two-dollar bill, and therefore if I could give my views legislative form I would have no two-dollar bills, no one-dollar bills of any kind, no one-dollar silver coin in circulation, but would proceed to take up that whole field with subsidiary coin, for two reasons outside of the economic one. First, the convenience of the people; second, more hygienic money, because cleaner. Then comes the necessary reason, growing out of our unfortunate situation of reducing the amount of this money, which is an obligation on the Government, to as small a place as possible in our legal-tender obligation currency. If you replace the one-dollar silver piece and the one-dollar paper piece altogether with what we have now, we would have $220,112,835 in subsidiary coin, which is, approximately, $3 per capita in subsidiary money, and that would reduce the legal-tender silver now outstanding to about $450,000,000.

At present there are outstanding $299,319,554 in $5 pieces, and $391,906,772 in $10 pieces. This whole field should be occupied by the silver certificates, except that banks ought to have the privilege of issuing denominations of $5 and $10 to help out in the active trade or crop-moving seasons without much fear of their interfering with the silver certificates, which the banks would hold as a part of their reserve and which would be in active use among the people, while the bank notes should be returned, as a matter of law, to the banks of issue for immediate current redemption——

Mr. COCHRAN. In gold?

Mr. FOWLER. The answer to that question would take some time, and, therefore, I do not desire to go into it just at this point, but will do so later. As I was saying, the bank notes should be driven home for redemption, thereby securing to the silver certificates, very largely in the $5 pieces, practically all of the normal work of small money throughout the country.

Mr. BOWERSOCK. Five and ten dollar pieces?

Mr. FOWLER. Yes, sir; entirely in five and ten dollar pieces, tending always to increase the smaller denominations as against the larger and leaving the field, as things now stand, for the greenbacks and bank notes. If this should be done, there would hardly be a chance of any bank collecting any portion of these notes and presenting them, for the reason that it would cost them more money—and we must remember that banking is based entirely upon the margin of profit in every individual transaction—and it would cost them more money, and the trouble and inconvenience to themselves is not to be overlooked, to collect the five-dollar pieces than it would to go into the market and buy the gold.

Mr. GAINES. The gold bullion?

Mr. FOWLER. There is no difference between gold bullion and gold coin; it is immaterial what you buy. The coining does not add anything except that it certifies its weight and fineness, and all the commerce of the world is carried on without any reference to coining or to the legal-tender acts. Our relation to Great Britain and all the rest of the world during the last year has been one purely of values, and we have transacted $2,400,000,000, approximately, in what? In values, pounds sterling, without any reference to the coining and the legal-tender act, which is the child in the first place of fraud, and in the next place of necessity, the design being to take away from the people their savings without their consent or without giving them full value in return, and an occasional necessity, real or imaginary, of protecting the life of the governmental organization issuing them, they would have had no existence in the world's history.

Mr. SHAFROTH. Do you not think that the legal-tender quality added to money has a tendency to increase the demand for the same?

Mr. FOWLER. It might if it was something that the people would not take by natural selection.

Mr. SHAFROTH. And would it not in that way raise the value?

Mr. FOWLER. It might if it greatly increased the demand for an article which the people would not use to an equal degree without the fiat. Therefore, I am decidedly of the opinion that a thing that the Government need not do in order to prove its honesty it should not do if that thing would facilitate operations that would break down the credit of the Government by extracting the gold which it must have to maintain its credit.

Mr. BOUTELL. I hate to make such an exhibition of my obtuseness, but as I understand it, you are arguing in favor of the retirement of all one dollar bills and of all the silver dollars, by having them redeemed in gold and then coining the bullion acquired and the silver dollars as necessity may require into subsidiary coinage.

Mr. FOWLER. You do not have to redeem them in gold. You take them in. You have the silver now. When the silver certificates come in you cancel them and coin the silver dollars into subsidiary coin. You do not have to redeem them in gold. For instance, to-morrow there comes into the Treasury of the United States $20,000,000, we will say, of silver certificates. They cancel the certificates and set aside twenty millions of silver dollars to be coined into subsidiary coins.

The CHAIRMAN. At the last meeting of the committee we determined to go into executive session to-day at 11 o'clock. Now we have with

us, besides Mr. Fowler, Mr. Peabody, of Boston, and I suggest that instead of having the executive session to-day we go on with the hearings and have a meeting Thursday.

Mr. GAINES. Why not have a meeting to-morrow?

The CHAIRMAN. We can decide that afterwards. If there is no objection, we will go on with the hearing, and determine what we will do hereafter at the close of the hearing.

Mr. COCHRAN. A vote to reconsider would be in order.

The CHAIRMAN. Yes, sir.

Mr. HEDGE. I move that we reconsider the action of the committee and proceed with the hearing.

The motion was agreed to.

Mr. GAINES. In view of the fact that the committee has, through its chairman, voluntarily invited a gentleman to appear before this body, and that he lives 1,000 miles from here, and that it requires two days and a night for him to get here, and in view of the further fact that the letter inviting him to appear did not start until Saturday night, I would like to have the committee indulge me, because I wish to use the wire if the committee will give me the authority, and to ask the gentleman, who lives in Nashville, if he can appear before the committee. I do not know how he stands on this question, but I value his opinion.

The CHAIRMAN. The letter was sent Friday night, instead of Saturday night.

Mr. GAINES. How long will these hearings continue?

The CHAIRMAN. That will be determined by the committee.

Mr. GAINES. Will the hearings be closed earlier than Saturday?

The CHAIRMAN. That is something for the committee to decide. It may be decided to close the hearings on Thursday.

Mr. GAINES. I want to say this, that at my own expense—and when I say "expense" I mean pay out of my pocket—I will wire the gentleman and ask him if he can come. It will take him two days and a night to get here, and we certainly do not want to invite the gentleman to come here and then shut the door in his face.

The CHAIRMAN. It does not require two days and a night to get here from Nashville?

Mr. GAINES. Yes, sir.

The CHAIRMAN. Is that possible?

Mr. GAINES. Yes, sir.

The CHAIRMAN. We will doubtless have another meeting Thursday and we can then determine, which is just as well as now, perhaps, whether we will have any further hearings.

Mr. SHAFROTH. I would like for the committee to invite Mr. Bryan to appear at one of its meetings for the purpose of being heard. He has discussed the question of bimetallism and the effects of redeeming one money in another perhaps more exhaustively than any man in public life, and it seems to me, as a student of economics, that he at least could throw some light upon these bills. I would like to have the committee invite him to appear and speak relative to the effect of the passage of either of these measures.

The CHAIRMAN. I will say that the chairman of the committee has been inviting anyone suggested by any member of the committee. Of course there is no objection to inviting Mr. Bryan, and we will be glad to hear him. I do not know where he is. I presume he is in Nebraska?

Mr. SHAFROTH. He is in Lincoln, Nebr.

The CHAIRMAN. I do not know whether this committee desires at this late hour to postpone the hearings sufficiently long to hear from Nebraska. That is something which the committee will have to decide.

Mr. HILL. Mr. Peabody, of Boston, is here, and perhaps it would be advisable to postpone the further hearing of Mr. Fowler and hear Mr. Peabody now. Mr. Peabody does not need any introduction to the members of the committee. He is a merchant in Boston and a member of the committee on finance and currency legislation of the Boston Chamber of Commerce. He came to the hotel, and I invited him to come up here without knowing whether it would be the desire of the committee to hear him or not.

Mr. FOWLER. I think it would be desirable to hear Mr. Peabody.

Mr. PEABODY. I was intending to say that I am in Washington to attend the meeting of the National Board of Trade, which convenes at 12 o'clock to-day, and therefore I was in the hope that Mr. Fowler would continue his remaks in order that I might hear him. It will be quite as convenient for me to meet with your committee on Thursday, if you have a hearing at that time, except that my time is limited, and I will be very pleased to express any views which you might like to hear at the present time.

The CHAIRMAN. I suggest, Mr. Peabody, that we do not know just what the future will be so far as the hearings are concerned, and we would be pleased if you could proceed for a few minutes now.

STATEMENT OF MR. HENRY W. PEABODY, OF BOSTON.

Mr. PEABODY. A few days ago I received from your member, Mr. Hill, a copy of his bill, for which I had written, and I studied it carefully, and also the speech which he made in the House of Representatives, and I found that we were very nearly of the same opinion. I was in communication with Mr. Hill before the redemption fund was adjusted, and I knew we were very nearly in accord at that time. The only difference was that I was more interested in providing a safe redemption fund for the greenbacks than in getting rid of the greenbacks. I have been very much interested in this subject of the gold standard for seven or eight years, first being attracted to it by the fallacy of bimetallism, which I was very much opposed to, and I have watched the progress of all the legislation which has occurred toward the strengthening of our currency, and the new agitation which has taken place has been of especial interest to me, because I could discern in it a tendency to outgrow the narrowness that we have experienced for several years past; that is, a delicacy to touch anything, to have anything to do with the money which was based upon silver.

We are now considering, by the bill which you have before you, a further change in the quality of the silver dollar, and while I fully agree with the views expressed by Mr. Fowler, that it would be very unwise to make the silver warehouse receipt exchangeable for gold, I would go further and say that there is no present occasion for qualifying the silver dollar with a redemption in gold, which indirectly does institute a call upon the Government for the redemption of a considerable number or to any extent of the silver certificates. There is an inconvenience involved which is a very desirable one to maintain, but I think indirectly it establishes a redemption in gold for the silver

certificates. We have a redemption fund which, as Mr. Fowler has spoken of, is unfortunately restricted. It is not in the power of the Secretary of the Treasury at the present time, in case of a panic and a demand for gold, to protect all of the greenbacks for redemption in gold, and I think that in that respect it is very defective.

I believe that the redemption fund should be authorized to the full extent of any notes that can be presented. As I recall the present redemption act it allows the issuance of notes which have been redeemed for reexchange for gold and also for the purchase of bonds, which would put them out into the market again and make an endless chain. They would have to be redeemed some time when the people chose to return them, and that I consider a great defect. I should be content with a redemption fund which would absolutely corral the redeemed notes with only the one exception, that they should be reexchanged or reissued for the return of gold; but in view of this bill which has been presented I can see that that makes them so nearly in character equal to a gold-certificate that I see it would be feasible to modify the law of reissue by a qualification that when notes are redeemed in gold they should be canceled. That is against the existing law, I know, but they are troublesome pieces of money. If they should be canceled and the people bring the gold back into the Treasury they could be paid gold certificates, which involve no responsibility upon the Government, as they would always have the gold to pay them with. There would be no question of a redemption fund. That would leave the redemption fund either for greenbacks or for gold certificates in the same position. I think that this bill of Mr. Hill's provides that when a Treasury note of 1890 shall be presented it shall be canceled.

Mr. Hill. The existing law provides for that.

Mr. Levy. Have you read the other bill which has been introduced?

Mr. Peabody. I have not.

Mr. Levy. Please read that bill.

Mr. Peabody. I will be very pleased to.

I think, Mr. Chairman, that the people of the United States are getting to appreciate the importance in the world of our having currency which is absolutely the best and which most of the other nations have, based upon gold, and that we should not be subject to any possible changes; and I think we are realizing that we have two burdens imposed upon us by inheritance. One is the existence of a form of paper money, which has been at times required by our citizens to be left undiminished, the greenbacks; but they represent a portion unpaid of the debt of our civil war, and some time or other we should deal with that, in my opinion, and remove those notes into a funded debt; and having removed them and seeing that they may be changed in gold certificates, which would involve no responsibility to our Government, it would seem had only remained a question to provide some legislation which would enable an elastic currency in paper, which is very much preferred by our people, to be supplied by banking institutions. That would enable the business of the country to be done with paper, if the people preferred to use it, and gold and silver.

So far as the silver is concerned, which is a matter which more particularly comes to mind at present, we have another legacy. We narrowly escaped being plunged upon the silver standard a few years ago, and in the last thirty years we have gone through great changes in the world, and seen a depreciation of silver to about half its value. We

have seen many other nations who were thirty years ago upon the gold standard, as we are—Japan, for one, with its 16 to 1—never intended to be on a silver standard, but not having been fortunate enough by its legislation and by the events to maintain the gold standard, drift with the silver standard and having free silver. We had free coinage, but nothing was coined. Japan came down to the silver standard, and they have had to cut down all their values to a basis of 32 to 1. They realized that their inflation of values and of property and debts were measured by dollars worth fifty cents, and then they concluded that it was time to fix matters, and they adjusted matters to gold dollars by reducing their gold yen one-half, and then they established a 32 to 1 ratio, which they maintain at this time.

We have this anomalous position with our silver dollar. It says it is one dollar, a legal tender. It does not concern people outside of this country except, perhaps, in the Philippines, where it has gone. It never goes out of the country; nobody wants it. We have ten times as many of them as we require, and the representation in paper is a snare, as has been demonstrated here to-day. There is a tendency and danger of being called upon to construe those notes into a demand for gold, which I believe would be unfortunate if it was ever done.

Mr. SHAFROTH. Which do you refer to now?

Mr. PEABODY. The silver certificates. But the silver legacy which I spoke of is this, that we have purchased $600,000,000 of silver for something between five and six hundred million dollars, and we nominally have, and it has been set up before us frequently as if it was a profit, what we call seigniorage. We have been obliged to coin this profit. It depreciates on our hands, so that while nominally we had a profit the market continued to fall so that our earlier purchases were cheaper. But that legacy is represented in a shrinkage of value.

Mr. CUSHMAN. A bullion profit?

Mr. PEABODY. A bullion profit, except that a bullion profit did not take $600,000,000 to buy that much silver.

Now, the value of the $600,000,000 is only $300,000,000 of our current money, or of gold, so that there is approximating $300,000,000 of no value—fiat money and our silver certificates; and I suppose we may recognize that the world's markets and the low cost of the production of silver and the abundance of it in the mountains of this country and in Mexico and in South America and Australia will prevent it ever rising materially above the present ratio of 32 to 1.

Mr. COCHRAN. It has risen in the last two years, has it not?

Mr. PEABODY. Yes, sir; but that has been incidental to the rising demand for coinage in India and China.

Mr. SHAFROTH. And also in Japan.

Mr. COCHRAN. Do you not think that an advance in the gold price of silver would be occasioned by a continued increase in the production of gold?

Mr. PEABODY. I think that every country is willing to receive gold at a fixed price and the commodities of the world are adjusted to the gold value except in silver countries.

Mr. COCHRAN. Do you mean that the commodities remain at a fixed price?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. Is that price stable anywhere, for any commodity, or for any group of commodities, say 20 or 40?

Mr. PEABODY. No, sir; they fluctuate in the aggregate. Perhaps the larger number the smaller the fluctuation.

Mr. SHAFROTH. But you attribute that to the supply and demand of the commodity itself?

Mr. PEABODY. Yes, sir.

Mr. SHAFROTH. Is it not also due to the conditions that govern the supply and demand of that which measures all commodities—money?

Mr. PEABODY. I do not think so, because the exchange between countries is adjusted upon a very even percentage. At the present time we have more than $600,000,000 of gold in the country we are not using in circulation, but it is in the country and there has been nothing to cause any rise.

Mr. COCHRAN. Has there been a rise?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. Has it coincided with this increase in gold?

Mr. PEABODY. I do not think so.

Mr. SHAFROTH. Did not a scarcity arise because one nation after another shifted to gold the burden formerly borne by both metals, thereby increasing the demand and the value of gold?

Mr. PEABODY. My observation of this change that took place since 1878 largely has been that the countries of the world still use the money that they have been accustomed to use, although they were not at parity with each other, but the silver countries use silver and the gold countries use gold.

Mr. SHAFROTH. And the gold countries kept on increasing in numbers and the silver countries diminished.

Mr. PEABODY. No, sir.

Mr. GAINES. What is the value of the Mexican dollar?

Mr. PEABODY. About 47 or 48 cents.

Mr. LEVY. You say you have not read the first bill introduced. Would not you be in favor of it? It does not in any way coin the subsidiary coin, but just simply makes silver certificates redeemable in gold at demand and gives the Secretary of the Treasury authority to issue bonds to maintain the gold reserve if required. Do you believe that there will be any demand on the United States Treasury for that $560,000,000; in other words, if we pass such a law, do you not think that the credit of our Government will be so strong that no demand will be made at all? Would not that settle the whole question? That is briefly the purpose of the bill that I have introduced.

Mr. PEABODY. I think the Government would not be strong enough to maintain a credit for an increased number of gold obligations. I think that it would require absolute protection for them, and we have not yet protected our gold.

Mr. LEVY. I provide for that in this bill by giving the authority to the Secretary of the Treasury, and we actually have now $560,000,000 that can be turned into gold. We have nearly $1,200,000,000 on a gold basis now, and if you have the power to issue bonds in case the gold reserve runs down, so that you can protect it, would not that settle the whole question?

Mr. PEABODY. I should consider that the only trend of legislation should be to reduce the obligations of the Government, first to notes that are payable in gold, and gradually to relieve it of any obligations to buy any gold.

Mr. LEVY. We have nearly $1,200,000,000 now.

Mr. COCHRAN. You would "take the Government out of the banking business?"

Mr. PEABODY. Yes, sir.

Mr. LEVY. We would have to have some other system of currency?

Mr. PEABODY. Undoubtedly.

Mr. LEVY. Mr. Hill's bill provides that this shall be coined in subsidiary coin, and that would revolutionize affairs to a certain extent, and might produce a panic. Would it not be better to leave it alone, making it payable in gold on presentation, and then give the power to the Secretary of the Treasury to raise the gold?

Mr. PEABODY. I think, perhaps, I can make clear my view. I have never heard of anybody who thought that the payment of gold certificates would impair the Treasury, but to pay them in silver I think would impair the value of gold certificates, and that it would increase the difficulties of the Treasury.

Mr. LEVY. But we are now on a gold standard, and we have about $560,000,000 that could be paid in gold. Would it not be better for the Government of the United States to declare that all their obligations upon demand were payable in gold, and give the power to the Secretary of the Treasury to pay gold if necessary, and do you think that anybody would present more than $10 and demand gold on account of fear?

Mr. PEABODY. I think the parity could be maintained in other ways than by redemption. The parity of a silver certificate receivable for duties and for public dues and for reserves in the banks and other ways has an equality of parity, and I think that parity which is established in addition to what now exists for either silver dollars or the silver certificates that would impose an obligation upon the Government additional to what it has now for redemption in gold would be a serious mistake.

Mr. LEVY. But it is twelve hundred millions now.

Mr. PEABODY. Not redeemable in gold?

Mr. LEVY. Yes; in a roundabout way they can pay the gold. Would not that increase the credit of the Government?

Mr. PEABODY. The credit is all right now.

Mr. COCHRAN. The banks would quit exporting gold?

Mr. PEABODY. No, sir.

Mr. COCHRAN. They would not? Was it not done in 1893?

Mr. PEABODY. We have now in the United States a thousand millions of gold in circulation.

Mr. COCHRAN. Do you believe that the credit of the United States would be questioned now? It was not really questioned then. It has been continually urged by gold-standard advocates that the right of the Secretary of the Treasury to issue bonds and buy gold relieved the situation at that time.

Mr. PEABODY. I think it would be something like the business house that sells its paper, and which sometimes turns out to have more paper than is good for it.

Mr. HEDGE. It is not so easy to exchange silver obligations for gold. I have heard it stated here several times that one metal and one paper is as good as another.

Mr. COCHRAN. Mr. Peabody says it is not.

Mr. PEABODY. At the time when gold was especially in demand there were some people who tried to secure from the banks specific forms of

money. They would go to the bank and say, "I want greenbacks." The bank would say, "We do not want to pay in greenbacks. What do you want with them? We are not obliged to pay you greenbacks. We will pay you legal money. If you insist upon legal tender, we will pay you in silver if you get a wagon." At other times, when a bank thinks that people open accounts and deposit ordinary funds and then come and say, "We want a certain kind of money," the bank officials will say, "Gentlemen, please take your account and carry it to some other place."

Mr. GAINES. Can you not say the same thing as to bondholders?

Mr. PEABODY. Not unless you make an option.

Mr. GAINES. Did not the Government have an option to pay in either of the coins, and did not Mr. Manning threaten the bondholders?

Mr. PEABODY. Yes, sir.

Mr. GAINES. He said to the bondholders and "endless-chain" makers: "If you come here again I will pay you so much in silver and increase the per cent in silver each time until I shall pay you all in silver."

Mr. PEABODY. Fortunately, he did not do it.

Mr. GAINES. A few moments ago you said that the silver dollar was of no use outside of this country?

Mr. PEABODY. Yes, sir.

Mr. GAINES. You said nobody wanted silver?

Mr. PEABODY. Yes, sir.

Mr. GAINES. In answer to that I want to read a short letter, and then I will ask you a question. This, Mr. Chairman, is the letter which I asked to put into the record and which will go in now. It is from Senator Vest. I lost the original copy of the letter and a few days ago asked him to reproduce it as near as he could, and he has dictated a new letter in substance about the same as the first:

UNITED STATES SENATE,
Washington, D. C., January 18, 1901.

MY DEAR SIR: Yours received. In reply to the request made in your letter, I will state that when in Europe six years ago I called to draw some funds from a banker at Carlsbad, in Austria, upon my letter of credit, and in taking the letter from my pocket happened to pull out some silver certificates which I had carried with me from the United States. I said to the banker, Mr. Seligmann, jocosely, that I did not suppose he would give me gold or Austrian money on these certificates, and he immediately replied that he would give me either, without any discount. When I expressed some surprise at the reply, he said that the legal-tender money of every country was equal to the value of what it had to sell, and that he could get silver dollars for the certificates, with which he could purchase everything that the people of the United States had for sale, either at home or abroad, as the silver dollar was full legal tender.

He then called my attention to the enormous exports of the United States and stated that so long as these exports continued the silver dollar of the United States would be worth 100 cents in gold, no matter what might be the bullion value of the silver in the dollar. Taking up a Mexican dollar he said that it had several grains more silver in it than the American silver dollar, but was worth only 51 cents then in Europe because Mexico exports only a few hides, some coffee and tropical fruits. This was the substance of our conversation.

Very truly,

G. G. VEST.

HON. J. W. GAINES,
House of Representatives, Washington, D. C.

This morning, at my request, the Bureau of Statistics gave me some figures showing the exports of the United States and Mexico in 1895 and 1899, as follows:

Exports, 1895.[1]

Mexico[2]	$44,883,000
United States	807,538,165

Exports, 1899.[3]

Mexico[4]	$74,851,000
United States[5]	1,275,499,671

The American Economist, a protectionist sheet, furnishes in its issue of January 25, 1901, the following interesting statement:

The following tables show the imports and exports of the United States by grand divisions in the calendar years 1890 and 1900. In the figures showing the distribution by continents in 1900 the December distribution is estimated, though the grand total of imports and exports for 1900 is based upon the complete figures of the Bureau of Statistics:

Grand divisions.	Exports from the United States to—		Imports into United States from—	
	1890.	1900.	1890.	1900.
Europe	$682,585,856	$1,111,456,000	$474,656,257	$439,500,000
North America	95,517,863	202,486,000	151,490,330	131,200,000
South America	34,722,122	41,384,000	100,959,799	102,000,000
Asia	22,854,028	60,598,000	68,340,309	122,800,000
Oceania	17,375,745	39,956,000	23,781,018	23,400,000
Africa	4,446,934	22,170,000	3,169,086	9,900,000

There Senator Vest was in Germany with a silver certificate, simply an order for a silver dollar in the United States Treasury, doing full money work in Germany, and it shows that our money is and will be good, regardless of what money it is, throughout the world as long as we trade with foreign people, and to that extent it is at least "some evidence" against your proposition.

Mr. PEABODY. It is so by the parity.

Mr. GAINES. The certificate is not on a parity with gold?

Mr. PEABODY. All the money is on a parity with gold by law.

Mr. GAINES. But here it is on a parity in fact, and in a foreign land where our laws do not extend. Do you mean to say, simply because the Government makes anything money, regardless of what the money is, so long as the Government makes it money, it is on a parity with gold?

Mr. PEABODY. That is all it is at present, and therefore it is unnecessary to make those notes redeemable in gold to accomplish something that already exists.

Mr. GAINES. Just so the Government makes it, it is money throughout the world?

Mr. PEABODY. Yes, sir.

Mr. SHAFROTH. As I understand your theory, Mr. Peabody, it is that the silver certificates and silver dollars, by reason of the uses to which they could be put in the payment of dues to the United States, in the payment of city, State, municipal, and county taxes, in the pay-

[1] Fiscal year.

[2] Including $25,953,000 worth of specie, bullion, and ore containing gold and silver, leaving as merchandise exports, $18,930,000.

[3] Fiscal year ending June 30, 1900.

[4] Including $33,595,000 worth of specie, bullion, and ore, leaving merchandise exported $41,256,000.

[5] Calendar year.

ment of all private debts from one party to another, payable in legal money and in current exchanges, would constitute such an enormous demand upon silver as to make the parity of the silver dollar and the silver certificate with gold?

Mr. PEABODY. Yes, sir.

Mr. SHAFROTH. And you think it would be dangerous for this Government to attempt to make those silver certificates or dollars redeemable in gold because they would be a charge upon the gold reserve?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. Do you not think that if the greenbacks and Sherman notes were retired, so that no outstanding gold obligations against the Government were in existence, that we could dispense with this gold reserve entirely?

Mr. PEABODY. Excepting so far as the gold certificates were concerned.

Mr. COCHRAN. But gold certificates, issued upon deposits of gold, would be mere certificates of deposit calling for gold placed in the Treasury in lieu of them?

Mr. PEABODY. Yes, sir; that is what I hope to see some time.

Mr. COCHRAN. Do you not think that in the event we should so change the law as to make silver dollars or silver certificates exchangeable for or redeemable in gold that we would be compelled to proportionately enlarge the gold reserve to meet the increased liability of the Government?

Mr. PEABODY. I do; yes, sir.

Mr. COCHRAN. I will ask you whether it is not true that at this time, under existing laws and Treasury regulations, our Government is not saddled with expenses that should be borne by exporters and importers—that is, under the existing laws and Treasury regulations does not our Treasury sustain to gold exporters the relation of a banker acting without compensation?

Mr. PEABODY. I think it does.

Mr. COCHRAN. Does not our Treasury sustain to the export gold trade precisely the relation that the banker sustains in the European centers?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. Is it not true that in periods of stringency in all the foreign countries the fact that private banks, and not the Government, must furnish gold for export results in a slight premium on gold during periods of stringency?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. Do you regard that as in any sense a disturbance of the parity of money in those countries?

Mr. PEABODY. Not at all.

Mr. COCHRAN. Does not a slight premium during such periods exercise a positively wholesome and beneficial effect?

Mr. PEABODY. Yes, sir; it tends to check the exports.

Mr. COCHRAN. Then do you not think that any law having for its purpose the facilitation of the extraction of gold from the Treasury for export is calculated to intensify in periods of stringency the financial difficulties of the country?

Mr. PEABODY. Any material call on the Government for gold has an effect upon the retirement of money that is current.

Mr. LEVY. Is it a premium?

Mr. PEABODY. An increased interest. If there were $50,000,000 taken out of circulation it would make money short and increase interest rates.

Mr. LEVY. Is it a premium? In the case of a demand on the Bank of England they put up the rate of interest; this increases the price of interest, not the premium.

Mr. PEABODY. They are separate, I think. There was a time, in 1896, I think, when money was so scarce, small money, that any kind of money, silver dollars or anything else, was at a premium for manufacturers who wanted to pay help and such things.

Mr. LEVY. When the Bank of England raises the rate of discount, is not that the increased interest, and does not the price of money go up?

Mr. PEABODY. When the Bank of England is losing gold they raise the rate of interest.

Mr. LEVY. Is it a premium or an increased interest?

Mr. PEABODY. When a bank makes a distinction between money, then it would be a premium.

Mr. LEVY. But the point I want to make is this: When there is a demand for gold—that is surely a demand for money—they put up the rate of interest and not the premium?

Mr. PEABODY. In England; yes, sir.

Mr. FOWLER. Do you know of there being any premium on gold in Germany or Great Britain during the last ten years?

Mr. PEABODY. No, sir. It has been controlled largely by the raising and lowering of interest.

Mr. COCHRAN. That has the same effect and adds somewhat to the expense incident to the export of gold.

Mr. FOWLER. Not an expense.

Mr. COCHRAN. That adds somewhat to the expense of exporting gold?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. It also has the effect of a general contraction of the volume of money available for trade?

Mr. PEABODY. Yes, sir.

Mr. FOWLER. It has a tendency to lessen the available money for the purposes of trade?

Mr. PEABODY. The purpose is to increase the money, but lessen the credit.

Mr. COCHRAN. My suggestion is this: That when the bank rate in England is increased, all traders, including the gold exporter, has to pay a higher rate of interest for money, and that thereby money of all kinds flows into the bank. The higher rate of interest discourages borrowing, and it stays there. Thus trade is crucified and gold exports terminated. This is, in effect, a premium on gold, and the sole purpose of advancing the rate is to render it unprofitable to export gold. I will ask you, Mr. Peabody, if the advance of the discount rate does not have the effect of stopping the outflow of money from banks, thereby limiting the amount of money, as well as the volume of credit available for commercial purposes?

Mr. PEABODY. Yes, sir; it reduces the price of securities and merchandise to the extent that it enables securities and merchandise to be exported in place of gold.

Mr. COCHRAN. In other words, in order to preserve the gold

reserve, the Bank of England takes such measures as will lessen the amount of money available for commerce, lessen the credit extended by the banks to traders, and causes a decline in the value of certain property, which then flows out of the country in place of the gold, which otherwise would go out?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. That is the drastic remedy prescribed by British statesmen to prevent the loss of the gold supply?

Mr. PEABODY. Yes, sir.

Mr. COCHRAN. In France the mode of preventing gold exports takes the shape of a premium on gold, does it not?

Mr. PEABODY. They are reluctant to pay gold in France; they do not pay it if they can avoid it.

Mr. COCHRAN. Is it not true that upon the presentation of bills redeemable in specie to the Bank of France it may decline, and does frequently decline, to redeem them in gold?

Mr. PEABODY. I have so understood.

Mr. COCHRAN. And thus in France a person in quest of gold for export must obtain it in the market as best he may?

Mr. PEABODY. I think so.

Mr. COCHRAN. And frequently he must pay a small premium on gold required to meet the export business?

Mr. PEABODY. That was really the case in the period of so-called bimetallism.

Mr. GAINES. I have some figures here in regard to the exports of Mexico in 1895 which I would like to read.

The CHAIRMAN. You may hand them to the stenographer and they will go in the record.

Mr. SHAFROTH. In view of your statement relative to the impounding of the greenbacks in case of a run upon the Treasury, would not that same reason apply to silver dollars or certificates if they are made payable in gold, in order to maintain and keep the strain off the gold reserve?

Mr. PEABODY. That is such a radical proposition that I would not like to give an opinion; it is too far away.

Mr. SHAFROTH. If you make the silver dollars or certificates redeemable in gold, is it not absurd that the Government should write a promise to pay upon as costly a metal as silver when the promise can be written upon paper, of no cost to the Government?

Mr. PEABODY. Yes, sir.

Mr. HILL. You do not mean to say that you would issue paper promises to pay without anything behind them?

Mr. PEABODY. No, sir; not in any sense.

Adjourned.

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Thursday, January 24, 1901.

The committee met at 10.30 o'clock a. m.

Present: Representatives Southard (chairman); Minor, Hill, Otjen, Boutell, Cushman, Bowersock, Hedge, Waters, Ridgely, Cochran, Shafroth, Griggs, Gaines, Sutherland, and Levy.

The hearings on the bills introduced by Representative Hill (H. R. 13099) and Representative Levy (H. R. 13042) were thereupon continued.

STATEMENT OF HON. JEFFERSON M. LEVY, OF NEW YORK.

Representative Levy. Mr. Chairman, the difference between these two bills is simply this, so far as I can understand. My bill virtually authorizes and directs the redemption of all silver certificates in gold on demand. The Secretary of the Treasury in this connection says he does not believe that $10 in gold would be demanded in exchange for silver offered. Further, the bill I offered provides for the protection of the reserve. You will remember that some years ago, under the Cleveland Administration, there was a question whether or not the Secretary of the Treasury had authority to issue bonds for the purpose of protecting the gold reserve. I provide in express terms for the issue of such bonds. When I refer to bonds I mean, of course, the 3 per cent bonds; and if you have no objection, I mean to say the class of bonds that were issued last year, under section 2 of the act of March 14, 1900, to protect that reserve.

That is one view. Again, the bill of my colleague, Mr. Hill, provides, in my estimation, for the withdrawal or destruction of the silver dollar. That, I believe, is a great and grave mistake. That bill, to some extent, virtually authorizes the retirement of 550,000,000 of silver dollars. This may create a serious financial disturbance in this country—a very serious danger, in my estimation.

I think we have at the present time within five or ten millions of dollars of all the subsidiary coin the country needs. In fact, the silver dollar is really a subsidiary coin, to a certain extent, because conditions are not now as they were forty or fifty years ago. Fifty cents fifty years ago was what a dollar is now. This silver dollar is in universal use, and of great benefit to the people of the United States. We ought not to destroy or remove it from circulation in any way. We ought to make it interchangeable with gold, and be sure that at any time, on demand, gold would be exchanged for it. In fact, all that the financial communities with which I am acquainted require at the present time is that the United States will enact a law making its money interchangeable with gold. With the Secretary of the Treasury, I do not believe that ten dollars will be demanded in gold.

Under bill 13099 the silver dollar is really withdrawn from circulation, or its withdrawal is threatened. I think you will commit a blunder in passing bill 13099. In fact, one of my colleagues, as I understand, has really adopted, to a great extent, my bill. It is only a matter of a change of phraseology. We do not want to disturb the financial affairs of this country. The people want the silver dollar. It is in active and daily use, and we have constant use for it; and I think it will endanger our financial system if we destroy it.

Now, I have noticed that some papers refer to this proposed legislation as a Republican measure. I claim it follows the lines of true Democracy. It is a Democratic measure based on the principles of our forefathers. It originated with Thomas Jefferson. Thomas Jefferson said, "The unit of value is gold; silver, a commercial commodity." That is the whole situation. Any man voting contrary to this

theory of Mr. Jefferson, in my estimation, votes against the principles of the Democratic party.

Representative SHAFROTH. Did he propose to r deem the silver dollar in gold?

Representative LEVY. Mr. Jefferson suspended the act authorizing silver coinage; and not one silver dollar was coined in this country until 1839.

Representative GAINES. But before he did so he approved an act making foreign coins tender in addition to those already tender and then he increased the coinage of the half dollar, the quarter dollar, dime, and half dime—all full tender, as much so as a gold or silver dollar—and thereby actually gave us more silver coin than ever before, but at no time did he stop the free or equal coinage of silver with gold.

Representative LEVY. Oh, that is subsidiary coin—five, ten, fifteen, or twenty millions only, which is a very small amount in this great question of $550,000,000 or $600,000,000.

The Democrats who claim that it is a principle of Democracy to make silver the standard of value are entirely mistaken. The principle of Democracy was: "The gold dollar the unit of all value; silver, a commercial commodity." I will always follow the principles of Jefferson; and that is the reason I am for the gold standard of value.

Now, I have noticed that some of the gentlemen who have been examined on this subject have not read my bill. The Secretary of the Treasury on cross-examination, while he does not indorse either bill, virtually indorses the principle of my bill. Mr. Mulholland criticises the bill 13099 and then goes on to indorse my bill, and moves to amend, or suggest an amendment which would result in amending Mr. Hill's bill into my bill, or into amending my bill into Mr. Hill's bill.

Mr. White stated on the stand that he had not read my bill; but when he came down to the facts about it he admitted that my theory was correct.

Mr. Williams, the president of the greatest bank in the United States, you may say, indorses my bill.

Now, as I have said, I think it is a serious mistake to virtually annihilate this silver dollar. All we want—all the people want—is the gold standard, and my bill provides amply for that.

(Mr. Levy afterwards submitted, as a part of his remarks, the following extract from the Boston Journal of January 17, 1901, and a copy of bill 13032 as amended.)

A BILL authorizing the Secretary of the Treasury to exchange gold coin for any pieces of money coined by the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever there shall be presented at the Treasury of the United States any pieces of money coined or issued by the United States of or exceeding the denomination of five dollars, and demand made for gold coin in exchange therefor, the Secretary of the Treasury is hereby authorized and directed to make such exchange in gold coin of the United States equal in value to the face value of the pieces of money presented for exchange.

SEC. 2. That if, in carrying out the provisions of this act, it shall be expedient or necessary to maintain the gold reserve of one hundred and fifty millions of dollars, the Secretary of the Treasury is hereby authorized to issue bonds of the United States in accordance with and under the provisions of section two of the act of March fourteenth, nineteen hundred, entitled "An act to define and fix the standard of value," &c.

SEC. 3. That this act shall take effect on or after the date of its passage.

STATEMENT OF HON. JOHN F. SHAFROTH, MEMBER OF CONGRESS FROM COLORADO.

Mr. SHAFROTH. Mr. Chairman, I had hoped that I would be allowed an hour in which to express my views upon these bills, but the committee has otherwise ordered. I do not see why there should be such pellmell haste in attempting to pass legislation which, in my judgment, is fraught with so much danger to the nation. The bills before this committee provide that the silver dollars shall be redeemable in gold.

I want this committee to be impressed with the fact that this is new legislation in the history of the world. No government on the face of the globe requires its treasury to redeem its silver coins in gold. The bills if enacted into law will start a new policy in the treatment of the precious metals and a radical departure from the principles of monetary science.

The passage of either of these bills is bound to totally annihilate silver and silver certificates as money. When silver dollars are made redeemable in gold they become simply promises to pay. It would be foolish for the Government to maintain promises to pay stamped on such valuable material as silver when they could be printed upon paper at an insignificant cost. In other words, it would be absurd for the Government to keep invested in a currency $250,000,000, which is the commercial value of the bullion in the 500,000,000 of silver dollars now in existence in our country, when they are mere promises to pay and could be printed on paper. It can readily be seen, therefore, that the passage of either of these bills means ultimately the destruction of the silver dollar and silver certificate as money. This ultimate result has practically been admitted by every expert examined before this committee. Should we convert dollars into debts, assets into liabilities?

Why should this nation, which produces one-third of all the silver in the world, be the first to inaugurate legislation which will inevitably have the effect of destroying silver as money and produce a further fall in the price of that metal? Is it the duty of the representatives of this nation to undertake the destruction of one of its important industries when there is no necessity or occasion for it? If silver must be killed, why not at least wait until some nation that produces none of that metal begins the murder?

The first effect of the passage of these bills will be an increase in the burdens upon the gold reserve in the Treasury. The United States notes, commonly called greenbacks, amounting to $346,000,000, and the Treasury notes, issued under the Sherman Act, amounting to $60,000,000, are the only moneys which at present constitute a charge upon the gold reserve of $150,000,000 authorized by law. To make 500,000,000 of silver dollars, which now rest upon their own base and are their own redeemers, payable in gold must, according to the principle of relative demands, enormously increase the burdens upon that gold reserve.

If it takes $150,000,000 in gold to constitute a reserve for the redemption of $406,000,000 of promises to pay, will it not take over $300,000,000 in gold to act as a safe reserve when we more than double the charges upon that reserve? Is it safe to double the burdens upon a reserve without increasing it? The demand of the gold-standard

advocates has been to get rid of the endless chain upon the gold reserve by retiring the greenbacks and other promises to pay so that the Treasury would not be burdened with redemptions—so that the Government would get out of the banking business.

But these bills constitute a reversal of that policy. They create a new endless chain by increasing enormously the redeemable obligations upon the reserve. Can not the national bankers see in this measure serious danger not only to the Government, but to themselves? To increase the endless chain is dangerous to the reserve, but to retire silver by paying out gold for it simply means calling upon the gold in circulation with which to extinguish another circulating medium. If gold and gold certificates, as the gold-standard men claim, should constitute the Government's currency, it would necessitate the redemption by the national banks of their notes in gold. How would the national banks like to see destroyed nearly one-half of the money which now constitutes their fund for redeeming their bank notes? Can they not see the danger of wiping out of existence a currency which now would come to their relief if redemption of their bank notes were demanded? Can they not see the danger of such legislation from the following answer of Secretary Gage in his recent testimony before this committee?

Mr. RIDGELY. If this bill shall be passed and the Government clearly obligates itself to redeem silver dollars and all other forms of its issues in gold, will you then support a law to compel the national banks to redeem all of their obligations in gold?
Mr. GAGE. Yes, sir.

There never will be a demand for redemption of national-bank notes as long as the banker can exercise the option of paying out silver dollars as he does now, but when gold constitutes the sole base the burden of furnishing gold will rest upon the bankers.

The second effect of the passage of either of these bills will be to depress the prices of all commodities and property.

It is impossible for gold alone to do the work of both gold and silver without it affecting prices. When you increase the burden upon gold you increase the demand for gold, and that, according to the principle of supply and demand, must increase the value of that metal. Gold being the unit of measurement, its value can not be calculated in dollars and cents. It can be measured only by its purchasing power. Increased value of gold therefore means that it buys more of commodities and property, and that means that the seller must part with more commodities and property in order to obtain a given quantity of gold. That means he must sell at a less price. A fall of prices, every one understands, brings panics and disasters.

To have the $4,600,000,000 of gold in the world do the work of both gold and the $3,200,000,000 of silver must enormously increase the burden upon, demand for, and value of gold, and correspondingly decrease the price of everything that gold will buy. This measure seems to be another step in the programme to make money dear. It is the starting of a world movement to make gold do the work of both metals.

The fact that the production of gold has increased largely does not obviate the necessity for silver money. Over 50 per cent of the gold product is used in the arts or lost to commerce. While about $10,000,000,000 of gold has been produced in the world since the discovery of America, yet less than half of it can be found in coin and gold bullion.

It is very questionable whether the output of gold has not reached its maximum. The world's production for 1899 was $315,000,000, and for 1900 the latest estimate is $229,000,000. It shows a falling off in quantity even if we eliminate the Witwatersrandt mines, which can not be worked while the war in South Africa continues.

Is it not reckless to predicate a system of money, which measures the price of everything else in the world, upon possibilities or even probabilities? Even at the large production of $315,000,000 a year, not more than $158,000,000 goes into coin or gold bars for monetary uses, which is only 3 per cent of the present world's stock of gold, and that is no more than an increasing commerce legitimately requires. To substitute gold for the present stock of silver would require twenty years' production without anything being added to supply the needs of an enlarging commerce.

Why legislate for the destruction of silver when there is to-day, and always has been, a shortage in the precious metals. This is demonstrated by the fact that every government in the world, either through its treasury department or its banking institutions, has been compelled to issue a substitute for gold and silver or their certificates in the form of treasury notes or bank notes. The only excuse for the issuance of such substitutes is because there is not sufficient gold and silver to answer the demands of commerce. According to the last annual report of the Secretary of the Treasury there are over $2,800,000,000 of such credit money. Inasmuch as it is credit obligations, which are dangerous to the reserve of a nation, would it not be wiser, as Mr. Peabody, of Boston, testified, to retire such credit money instead of destroying the silver dollars by making them promises to pay, and thus increasing by $500,000,000 the credit money of the Government?

What is the pretended reason for this legislation? It is that silver dollars might go to a discount. We have not purchased any silver since 1893, nor can any more be purchased without legislative authority.

As long as the quantity of silver money is limited, as now provided by law, there is not the remotest possibility of silver going to a discount. We have had hard times and good times with substantially the present stock of silver, and it has never gone to a discount.

The silver dollar has been held in value the equal of gold, because the Government receives it in payment of taxes and duties and because the legal-tender quality given it makes its use enormous.

A recognized principle of political economy is the Gresham law, namely, that if a currency goes to a discount, it expels from circulation the dearer money and becomes the sole circulating medium. The silver dollars can never go to a discount. They are so limited by law as to be inadequate to constitute the sole currency of this country. There are more than $2,000,000,000 of money in circulation in the United States. Can anyone reasonably contend that the 500,000,000 of silver dollars and certificates can do all the moneyed transactions of the commerce of this nation? Would not the demand for silver dollars, limited as now by law, be so great if they should go to a discount of even 1 per cent as to restore them to a parity with gold, which now exists? These demands would be enormous.

The nation raises over $600,000,000 each year for the support of the Government, and every dollar could be paid by silver. The total taxes of State, county, and municipal governments amount to over $500,000,000 per year, which could all be paid by silver. The total

indebtedness in the United States is estimated to be $20,000,000,000 to $30,000,000,000, over one-half of which is payable in lawful money and could be discharged by silver.

It is estimated that the thirty days' credit transactions of commerce in this country, including the sales of goods by manufacturer to jobber, by jobber to wholesale dealer, by wholesale dealer to retail dealer, and by retail dealer to customer, amount in the aggregate to more than $150,000,000,000 a year, every dollar of which could be discharged by silver.

The premiums contracted to be paid in lawful money each year in the United States upon life-insurance policies are $339,280,913 and upon fire-insurance policies are $161,730,957.

The total amount of life insurance in force in the United States on January 1, 1899, all of which was payable in lawful money, was $14,125,548,072.

The total amount of fire insurance in force in the United States on January 1, 1898, was $16,500,000,000, all payable in lawful money.

According to the report of the Comptroller of the Currency for the year 1900, the amount of deposits, payable in lawful money, in our—

State and private banks	$4,780,893,692
National banks	2,550,659,557
Total deposits in all banks, June 30, 1900	7,331,553,249

The amount of loans, consisting mostly of thirty, sixty, and ninety day paper, all of which is payable in lawful money, in favor of our—

State and private banks	$3,013,449,827
National banks	2,644,237,193
Total short-time paper outstanding on June 30, 1900	5,657,687,020

The total amount payable on shares in building associations is $450,667,594. The amounts agreed to be paid in lawful money, at periods of from one to five years, on contracts for construction of buildings, railroads, ships, canals, and other improvements in the United States must aggregate several billions of dollars.

Would any sane man part with a silver dollar at less than par, when he could apply it to so many uses at par? These amounts constitute the enormous demands for the silver dollar if it should go to a discount; everybody would be grabbing for the silver dollar, and those demands would restore its value; in fact, would and does prevent it from going to a discount.

Now, Mr. Chairman, I want to call the attention of this committee to a statement concerning this matter by the Secretary of the Treasury; I want to see whether he has not agreed exactly with me in this position.

On the 16th of last July he wrote an article which was published in a paper called Sound Currency, and here is what he said:

> I am satisfied that the new law establishes the gold standard beyond assault unless it is deliberately violated.

And if it is deliberately violated, of course your proposed law making silver dollars redeemable in gold could be deliberately violated. It is absurd to say that any President or Secretary of the Treasury will violate the law. Mr. Gage then further said:

> I believe that silver will never drop below par in gold. The crux of the proposition is that adequate measures have been taken by the new law to prevent such a

contingency. They might have been more plainly set forth, perhaps, and in this respect have escaped the criticism of Professor Laughlin that "no new means whatever have been given to accomplish this end." Professor Taussig declares in regard to this feature of the new law that "the wise policy was followed" and that "the silver currency is better left by itself, presenting its own problems and to be dealt with on its own merits."

The question is largely an academic one whether any provision is made for maintaining the parity of gold and silver beyond the provisions of previous laws, for the simple reason that methods were already in operation which maintained this parity under severe strain from the first coinage of the Bland dollars in 1878 down to the repeal of the silver-purchase law in 1893, and have maintained such parity ever since. Professor Laughlin understands the practical operation of these methods of redemption through the receipt of silver for public dues. This method will unquestionably prove adequate upon the single condition that our mints are not opened to the free coinage of silver and no further considerable purchase or coinage of silver take place. The facts of the situation and the experience of other countries with a considerable amount of silver coins plainly show that the suspension of free coinage and the receipt of the silver coins without discrimination for public dues are in themselves sufficient to maintain parity.

Now, Mr. Chairman, I submit that we should not give great weight to the testimony of the Secretary of the Treasury before this committee, when not more than seven months ago he made this statement. He then recognized our theory of money. He then recognized that if silver went to a discount, such enormous demands would be made upon it that it would be immediately restored to parity with gold. He then condemned the policy that silver dollars should be made redeemable in gold. This statement was made after Mr. Bryan was nominated for President in 1900, and was upon the supposition that there could be no action taken upon Mr. Bryan's part that could bring the silver dollar to a discount.

In view of these declarations made by Secretary Gage, and of the fact that Mr. Peabody, of Boston, a believer in the gold standard, has testified that it would be dangerous to pass a law making the silver dollar redeemable in gold, is it not time for the members of this committee to call a halt on this reckless legislation?

The claim that if we should have a failure of crops and at the same time a demand for gold from abroad, that it might cause a redundancy of silver in the Treasury and force silver to a discount will not stand the light of reason. Whoever heard of flooding the Treasury with money during dull times? The only way the Treasury can get flooded is by larger collection of taxes than its expenditures. When crops have failed and times are dull, the people are less able to pay taxes, and the revenues invariably diminish. In those times the Government expends more than it receives, and it is immaterial what kind of its money is paid in so long as it is bound to pay it all out for expenditures, and it is impossible to flood the Treasury with silver certificates. The present law requiring the Secretary of the Treasury to issue bonds to maintain the gold reserve makes it impossible for the Government to fail to meet its gold obligations.

In those times less gold will be demanded from the Treasury, when only greenbacks are redeemable in gold, than if silver dollars and certificates were also redeemable in that metal. An absolute halt could be made upon gold redemptions in such times by impounding the $346,000,000 of greenbacks and the $60,000,000 of Treasury notes, but such a halt could not be made, if silver were made redeemable in gold, until the Government had impounded not only the greenbacks and Treasury notes, but also the 500,000,000 of silver dollars. When

there is a run on gold, it is the salvation of commerce and the Treasury of the Government to have in circulation a currency which imposes no further strain on gold.

As there is no danger of the silver dollar depreciating while limited as now provided by law, is it wise to invite the disasters which result from increased burdens upon gold or from contraction of the currency?

Before I close, I want to ask the privilege of putting in after my speech, in full, this letter of the Secretary of the Treasury.

Representative HILL. I will supplement that by stating that I ask consent, also, to follow the statement of the Secretary of the Treasury, on July 14, with the one made by himself in reply to his own statement two weeks later. I think they both ought to go in.

Representative SHAFROTH. Very well; I am perfectly willing to have them both go in. Now, have I that consent?

The CHAIRMAN. Without objection, that will be done.

Representative RIDGELY. I will ask that that consent to extend remarks be made general to all members.

(There was no objection.)

The CHAIRMAN. I want to read a telegram:

Inconvenient to visit Washington, but shall be pleased to submit views in writing, if you will send me copies of pending measures.

W. J. BRYAN.

Representative HILL. I will ask that that be included, with the privilege of inserting his statement.

The CHAIRMAN. Without objection, that will be done.

[Publication in the July number, 1900, of the paper called Sound Currency.]

THE GOLD-STANDARD LAW, BY LYMAN J. GAGE.

I am satisfied that the new law establishes the gold standard beyond assault, unless it is deliberately violated. I can not agree with the criticism of Professor Laughlin, in the last issue of the Journal of Political Economy, that we ought to give up the fiction that the new law has "established the gold standard." Against his authority I may cite that of Professor Taussig, of Harvard University, who is equally severe in some of his criticisms of the law in the last Quarterly Journal of Economics, but who says:

"Surveying the new Treasury system as a whole, we need not hesitate to admit that so long as this legislation stands it is strong enough, assuring, even though by a cumbrous machinery, the maintenance of the gold standard."

Let us look to the facts. The criticism of Professor Laughlin is directed to the fact that since the unlimited legal-tender power of the silver dollar is retained for all obligations in which gold is not expressly stipulated, it is clear that all private contracts thus generally drawn could be liquidated in silver, and that "the gold standard of payments, therefore, is not made obligatory for private debts."

It is quite true that the legal-tender quality has not been taken away from the silver and paper money of the United States. It would have been a remarkable and disquieting thing to do and it would have been quite as likely to weaken as to strengthen our monetary system. It makes no difference to anybody to-day whether he is paid in gold or silver, so long as the two metals circulate at par with each other and are received on deposit by the banks without discrimination. What

difference would it make to me if I held some bonds and Mr. Bryan should direct his Secretary of the Treasury to sort out some of his limited stock of silver dollars for the purpose of redeeming the bonds? Would I not immediately deposit the silver in my bank and draw checks against it, just as I would if the Secretary had exercised the more rational policy of paying me with a subtreasury check?

THE PARITY OF GOLD AND SILVER.

I believe that silver will never drop below par in gold. The crux of the proposition is that adequate measures have been taken by the new law to prevent such a contingency. They might have been more plainly set forth, perhaps, and in this respect have escaped the criticism of Professor Laughlin, that "no new means whatever have been given to accomplish this end." Professor Taussig declares in regard to this feature of the new law that "the wise policy was followed," and that "the silver currency is better left by itself, presenting its own problems and to be dealt with on its own merits."

The question is largely an academic one whether any provision is made for maintaining the parity of gold and silver beyond the provisions of previous laws, for the simple reason that methods were already in operation which maintained this parity under severe strain from the first coinage of the Bland dollars in 1878 down to the repeal of the silver-purchase law in 1893, and have maintained such parity ever since. Professor Laughlin understands the practical operation of these methods of redemption through the receipt of silver for public dues. This method will unquestionably prove adequate, upon the single condition that our mints are not opened to the free coinage of silver and no further considerable purchase or coinage of silver takes place. The facts of the situation and the experience of other countries with a considerable amount of silver coins plainly show that the suspension of free coinage and the receipt of the silver coins without discrimination for public dues are in themselves sufficient to maintain parity.

But I think Professor Laughlin is mistaken in his criticism that no means whatever have been provided for maintaining the parity between gold and silver. He admits that the first section of the act declares that "all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity." He criticises this provision upon the ground that it gives absolutely nothing with which to maintain parity. He asks:

"Suppose that Congress had ordained that the Navy should have had all the old powder exchanged for smokeless powder, and that it should have made it the duty of the Secretary of the Navy to make such exchange, and had provided no appropriation for this purpose, nor allowed any new machinery for carrying out the plan beyond what existed before. Should we not regard this as something more than trickery?"

It is to be regretted that the provision on this subject is not put in plainer language. I understand that it was urged upon the conference committee that this clause should read: "It shall be the duty of the Secretary of the Treasury to use all appropriate means to maintain such parity." This would have conveyed sweeping and complete authority to buy gold, sell bonds, or take any other steps in execution

of a solemn duty imposed by Congress. But there is another provision of the bill which Professor Laughlin seems to have disregarded. This is in section 2, providing for the gold reserve, where it is prescribed that when bonds are sold for the maintenance of the reserve the Secretary of the Treasury, after exchanging the gold for notes and depositing the latter in the general fund of the Treasury, "may, in his discretion, use said notes in exchange for gold, or to purchase or redeem any bonds of the United States, or for any other lawful purpose the public interest may require, except that they shall not be used to meet deficiencies in the current revenues." The declaration that notes may be used "for any lawful purpose" certainly includes the maintenance of parity between gold and silver, since it is distinctly made a legal obligation of the Secretary by the first section. If the Secretary of the Treasury, therefore, finds a considerable fund of redeemed notes in the general fund of the Treasury, and fears that silver will fall below parity with gold, he is able, under this provision, to pay for silver in United States notes which are redeemable in gold on demand. It seems to me this affords an important and almost perfect means of maintaining the parity of gold and silver. It amounts in substance to the ability of the holder of silver dollars to obtain gold notes for them if the Secretary of the Treasury, under the mandate laid upon him by law, finds it necessary to offer such notes in order to maintain the parity of silver.

But suppose that there were no notes in the general fund of the Treasury which could be used for this purpose, if, in other words, there was no demand for gold by the presentation of United States notes, which had resulted in an accumulation of the latter, it is pretty plain that there would be no demand for the exchange of silver for gold. The entire body of the law on this subject is calculated for a period of distrust and demand for gold. If such a demand occurs it must fall upon the gold resources of the Government by the presentation of notes. The notes then become available for exchange for silver. If the criticism is made that this puts the notes afloat again in excessive quantities it may be answered that the quantity of silver in circulation has been diminished, that a gold note has taken its place, and that if this note comes back for redemption in gold the Treasury is fully equipped by law for obtaining additional gold by the sale of bonds and holding the note until financial conditions have changed. While the mechanism might be a little more direct and clear it does not seem to me to be open to the criticism of Professor Laughlin, that the law "gives absolutely nothing with which to maintain parity" and is in the nature of "trickery."

REDEMPTION OF BONDS.

Objection is made to the new law that it does not make the bonds of the United States redeemable in gold. That is true in a narrow sense. The new law as finally enacted does not change the contract between the Government and the holder of the bond, which was an agreement to pay coin. What is apparently desired by Professor Laughlin, and what was embodied in the House bill, was the proposition that the Government by act of Congress should change the terms of the contract, although not its substance, from a coin to a gold contract. I

think that upon many grounds the conference committee acted wisely in refusing to make this change. It establishes a dangerous precedent to enact a retroactive law. If the Fifty-sixth Congress can change a coin contract into a gold contract, not even leaving the option to the bondholder to take silver if he prefers it, what would prevent the Fifty-seventh Congress, if it contained a Bryan majority, from changing the gold contract embodied in the new 2 per cent bonds to a silver contract? In other words, I think it is good public policy not to change the terms of a contract by mandate of law. Even if the avowed purpose is to benefit both of the parties, the same purpose might be avowed for very objectionable legislation at some future time. For those who prefer a gold bond Congress provided the means of obtaining it by offering the new 2 per cent bonds upon terms of conversion approaching the market value of the old bonds. The only exceptions made were a small block of bonds, which have been called for redemption, and $162,315,400 in 4 per cent bonds, which were sold by Mr. Cleveland under a distinct alternative proposition in regard to part of them that a higher price would have been paid if they had been gold bonds. Nobody doubts that these bonds will be as good as gold, and it is wholly immaterial whether some Secretary of the Treasury pursues the infantile policy of paying silver dollars upon these bonds instead of checks when, as I have shown, all money of the United States is convertible into gold. These are the distinct provisions of the new law, and they can not fail to maintain the gold standard except by the deliberate violation of the duty imposed by the law upon the Secretary of the Treasury.

EFFECT OF MR. BRYAN'S ELECTION.

In the event of Mr. Bryan's election I think the gold standard would be resolutely maintained so long as the law remained on the statute book. I fear, however, that the law would be subjected to a severe strain from the November day when his election was made known until the Treasury was turned over to him on March 4. The mere fact that a party was installed in power which was hostile to the gold standard would look like a reversal of the judgment pronounced by the people in 1896 and 1898 in favor of the standard. A reversal of this judgment so soon would naturally inspire distrust abroad as well as anxiety at home, would invoke a panic, not so acute perhaps as would have followed a silver victory in 1896, but nevertheless paralyzing to business enterprise, and would probably compel the present Administration to use to the uttermost the powers conferred by the new law to maintain the gold standard and the parity of all our forms of money until the new Administration entered office. The business community would naturally look for a vigorous message from President Bryan recommending the repeal of the law, in conformity with the implied and direct demands of the Democratic and Silver-Republican platforms, and prudent men would take steps to hoard gold and prepare for the hurricane obviously gathering in the financial heavens.

INTERVIEW WITH SECRETARY GAGE, AUGUST 25, 1900.

Many inquiries have been made as to what Mr. Bryan, if elected President, could do to break down the gold standard. Secretary Gage, in the course of a recent interview, was asked this question:

"In case of the election of Mr. Bryan, could he order his Secretary of the Treasury to pay interest on coin bonds and the matured bonds themselves in silver? If so, would our credit be injuriously affected thereby?"

In answer to this and other questions Secretary Gage said:

"There is no doubt Mr. Bryan could order his Secretary of the Treasury to make payment in silver of all of the public debt payable in coin, and for all current disbursements of the Government as well, which amount from a million and a half to a million and three-quarters dollars per day. That he would give such an order, too, is very certain, if he is in the same mind that he was in 1896, for he was then quoted as saying, 'If there is anyone who believes that the gold standard is a good thing, or that it must be maintained, I warn him not to cast his vote for me, because I promise him it will not be maintained in the country longer than I am able to get rid of it.'

"Do you think it would be practicable to control a sufficient volume of silver to make the payments you referred to?

"He would have great difficulty in doing that at once. The Treasury of the Government at the present time is very firmly established upon a gold standard. Including the reserve of $150,000,000 held against the legal-tender notes the Government owns and controls over $220,000,000 in gold coin and bullion, while it owns and controls only about $16,000,000 in silver, the rest of the silver being out in circulation among the people, either in the form of silver certificates or silver coin.

"But the announcement by the Treasury Department of its purpose to pay silver in settlement of all interest on the public debt not specifically payable in gold and to make its daily disbursements to its creditors in silver would stop the inflow of gold, or, at least, very largely diminish payments in gold and correspondingly increase payments into the Treasury of silver and silver certificates. It therefore might be anticipated that, with a good deal of perverse ingenuity, the time would come at no distant day when all the revenues of the Government would be paid to it in silver dollars or silver certificates, and all disbursements made by it would be made in silver dollars or silver certificates. There would thus be established a circuit of silver out of the Treasury into the hands of the people, from the people into the banks, from the banks into the custom-houses, and into the hands of the collectors of internal revenue.

"The Goverment, then, would be practically on a silver basis, would it not?

"That would, no doubt, be accomplished, and the Government, properly speaking, would be on a silver basis.

"How would this affect the credit of the Government?

"Most disastrously, I have no doubt. The movement inaugurated as proposed would give a sense of insecurity, the outstanding greenbacks that by law are redeemable by gold would be presented at the Treasury for redemption, and the Treasury notes of 1890 likewise. Of these two there are $430,000,000 outstanding. Against these the Gov-

ernment holds, under the law, $150,000,000 in gold. It does not require much sagacity to see that if the gold reserve were not entirely exhausted it would soon be reduced below the $100,000,000 mark, which the law has established as a minimum, it being the duty of the Secretary of the Treasury, when that point is reached, to restore the reserve to $150,000,000. Under the adverse influence upon business affairs business would be depressed, industry checked, and the Government's revenues very much diminished. Instead of a surplus we would probably witness a deficiency. In restoring the gold reserve to which I have just referred, the law directs the Secretary of the Treasury, if necessary, to sell bonds, payable in gold, redeemable in one year, payable in twenty years, at a rate of interest not to exceed 3 per cent per annum. With the impairment to the public credit and with the loss in revenues, as just indicated, it is very doubtful whether bonds within the limitation of interest permitted by law could be sold. If they could not, the power to redeem the demand obligations of the Government, either in gold or in silver, would fail.

"How would this state of things in the Government finances affect general business conditions throughout the country?

"The effect would be deplorable. Nobody would be able to measure accurately the influence upon his own affairs of such Government action. Everyone would be in a state of fear, and when people are afraid they will, as someone has said, either run or hide. Commercial dullness would succeed the present commercial activity, and we would again witness that industrial paralysis which characterized the years 1893 and 1896, when the question of what was to be the standard agitated the public mind."

LETTER FROM THE HON. CARL SCHURZ TO HON. LYMAN J. GAGE.

SEPTEMBER 3, 1900.

DEAR SIR: The newspapers of August 26 published an interview with you in which you were quoted as saying that "there is no doubt Mr. Bryan, if elected President, could order his Secretary of the Treasury to make payment in silver of all the public debt payable in coin, and for all current disbursements of the Government as well, which amount to $1,500,000 to $1,750,000 per day, and that he would give such an order, too, is very certain if he is in the same mind that he was in 1896." You went on to say that, although Mr. Bryan "would have great difficulty in doing that at once," owing to the small silver resources of the Government, yet he might accomplish it in time, as the mere announcement of such a purpose "would stop the inflow of gold, or at least very largely diminish payments in gold, and correspondingly increase payments into the Treasury of silver and silver certificates;" that this would practically put the Government on a silver basis, ruin its credit, and bring incalculable disaster upon the business interests of the country.

Having for a great many years taken a deep and somewhat active interest in the establishment of a sound monetary system in the United States, I may without impropriety publicly address to you a few remarks in reply to your public statement. I emphatically deny, Mr. Secretary, that the danger set forth by you in your interviews really exists, and that any President will be able to do what you say might

be done, unless the Republican party, in control of the Government in both its legislative and executive branches, proves itself utterly dishonest in its professed purpose to maintain the gold standard.

This denial is not based upon the reasoning of those of your critics who seek to show by figures that a President desiring ever so much to put the country upon a silver basis would lack the means for doing so. On the contrary, for argument's sake, I will accept all you say on that point. But you omit to mention a fact of decisive importance.

If the Executive, as you say, professes the discretion of "paying silver in settlement of all interest on the public debt not specifically payable in gold, and of making its daily disbursements to its creditors in silver," it is owing to a flaw in the currency law passed at the last session of Congress; a law which, as the spokesman of the Republican party promised, was to put the gold standard upon an impregnable basis. It was suggested at the time by some of its critics that this law was purposely so manipulated by Republican politicians in the Senate as to leave the possibility of the subversion of the gold standard by Executive action open in order to enable the Republicans in the present Presidential campaign to say that the election of a Republican President was absolutely necessary to save the gold standard and to prevent dreadful economic disaster. Whether any such scheme entered into that legislation I do not assume to determine. Certain it is, however, that this feature of the law is now so used, and that you, Mr. Secretary, actually do so use it for the evident purpose of alarming the business community and the possessing classes generally.

I hardly need to say to you that the spreading of false alarms of this kind is a very questionable and responsible thing for anybody, and especially for a Secretary of the Treasury. And I call your prediction of the possibilities specified by you and of the disasters sure to follow a false alarm for a very simple reason. Whoever may be elected President on November 6, there will be another session of Congress before he will take office on March 4, 1901. The Republicans will have strong majorities in both Houses of that Congress. The Executive, too, will be in their hands. They will therefore be able to make such laws as they please. They will thus have full power and ample opportunity before the inauguration of the next President to pass any legislation required to make it utterly impossible to any President to break down the gold standard in the way you, Mr. Secretary, describe in your interview. A simple enactment in two or three lines substantially providing that it shall be the duty of the Secretary of the Treasury to pay in gold or silver, at the option of the creditor, all kinds of indebtedness of the United States now payable in coin may be sufficient. And if there should be another flaw in the present law dangerous to the gold standard in any other way, you, Mr. Secretary, able financier as you are, will surely detect it and find a legislative remedy, and have it ready in the shape of a well-matured bill to be submitted to Congress at the opening of the session.

In short, the Republicans, controlling both the Legislative and the Executive branches of the Government, will, next winter, have ample power and opportunity to do what they ought to have done at the last session—to put the currency law in such a shape that the gold standard can not possibly be shaken by Executive action, no matter who may occupy the Presidential chair, and thus remove, to that extent at least,

the basis of our monetary system from the changeful game of party politics.

Do you see any reason for doubting that Congress at its next session will do this? It is quite evident that, if there is any substance at all in your predictions of disaster, the Republicans in Congress can not refuse to do it without proving that the professed solicitude of the Republican party for the maintenance of the gold standard is arrant hypocrisy. But if there be any wavering I am convinced public opinion will, in case of necessity, compel them to take the necessary steps.

You will thus have to admit, Mr. Secretary, that when you sounded your note of alarm you had overlooked the most important fact that you and your party friends—that is, the Republican majority in Congress, led by the Administration, of which you form so influential a part—will be able easily and promptly to remedy the defects of the law which you have described as a source of terrible danger, and therefore your note of alarm was, to say the least, a mistaken one. It may suggest itself to you as a matter worthy of grave consideration whether you should not retract what you have said, in fairness to the business community, which should not be unnecessarily disquieted, especially not by those in authority. I am sure many of your fellow citizens are anxious to know what you may have to say on this aspect of the situation.

Very respectfully, yours, C. SCHURZ.

BOLTON LANDING, LAKE GEORGE, N. Y., *September 1.*

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,
Washington, September 5, 1900.

DEAR SIR: I have the honor to acknowledge the receipt of yours of the 3d instant, in which you utter some words of criticism upon the statements made by me in a newspaper interview published August 26, in which I express the opinion that Mr. Bryan, if elected President, could, by the exercise of considerable "perverse ingenuity," put the Government on a silver basis, ruin its credit, and bring incalculable disaster upon the business interests of the country.

You deny that dangers set forth by me in that interview really exist, and that any President will be able to do what I declare might be done, "unless the Republican party in control of the Government in both the legislative and executive branches proves itself utterly dishonest in its professed purpose to maintain the gold standard." You say your denial "is not based upon the reasoning of those of your critics who seek to show by figures that a President, desiring ever so much to put the country on a silver basis, would lack the means of doing so." On the contrary, you admit, "for argument's sake," all I say on that point. It would not seem, therefore, that there is any particular difference between us as to what Mr. Bryan as President could do under the law, or in spite of the law as it now is.

It ought to have been apparent to you, as it no doubt was, that I was speaking of the possibilities of the case under circumstances and conditions as they now exist; but you proceed to point out how, at the next session of Congress, which will meet in December, legislation could be had which would completely forestall unfriendly action toward

the gold standard, even if Mr. Bryan were elected and should still cherish the firm-set purpose declared by him on September 16, 1896, at Knoxville, Tenn., where he said: "If there is anyone who believes that the gold standard is a good thing, or that it must be maintained, I warn him not to cast his vote for me, because I promise him that it will not be maintained in this country longer than I am able to get rid of it."

You rebuke me in polite terms for sounding a false note of alarm, disquieting to the business community, and especially so when uttered by one in authority.

I am not at all skilled in controversy, and have had no practice in dialectics, but I will indulge in a few words in the way of rejoinder to your criticism.

In the first place, then, no more serious disaster could overtake this country (in this I think you will agree with me) than the breaking down of the gold standard and the adoption of that principle of money for which Mr. Bryan contends. In 1896 you yourself are quoted as having said:

"The mere apprehension of a possibility of Mr. Bryan's election and of the consequent placing of our country upon the silver basis has already caused untold millions of our securities to be thrown upon the market. Scores of business orders are already recalled, a large number of manufacturing establishments have already stopped or restricted their operations, enterprise is already discouraged and nearly paralyzed. * * * And if these are the effects of a mere apprehension of a possibility, what would be the effect of the event itself? There is scarcely an imaginable limit to the destruction certain to be wrought by the business disturbance that Mr. Bryan's mere election would cause."

I myself am unable to perceive why the same consequences, in a minor degree, perhaps, would not ensue now which you so forcibly foreshadowed then.

Now when consequences so great as these are involved, the forces operating to inaugurate them should be resisted at every point. Even the possibility of danger should be avoided. It is a familiar fact, and one altogether too much in evidence, that an administrative officer filled with hatred and contempt of a particular law can, by perverse ingenuity, practically nullify its operations. You point out in your letter that if the course indicated by me in the interview referred to should be contemplated by Mr. Bryan, the Republican Congress which meets in December next could in advance restrain him by new and more effective mandatory provisions. The proposition that in case of Mr. Bryan's election the present Congress can tie his hands so that he can not give effect to his expressed intention appears to me to be fallacious. It would require new legislation by a party whose policy would have been rejected by the people through their last expression at the polls. Further than this, the next session will expire by operation of law on the 4th of March, 1901. The free-silver minority would be justified by their constituents in using all the resources of dilatory procedure to prevent such legislation, and against such tactics affirmative legislation such as you suggest would be probably impossible. Can anyone doubt that Mr. Bryan would urge action by his friends in Congress to prevent the further strengthening of the policy which he denounces as criminal? Your remarks

upon this point seem to indicate that you rely upon the exercise of the power already conferred upon the Republican party to prevent the country from experiencing disasters which Mr. Bryan will, if he can, bring upon us. May I not suggest that the way to secure safety is not to take power from those upon whom you rely for protection and confer it upon those whose action you may have good occasion to dread?

Since you have raised the question of further legislation, let us look a little farther forward. If Mr. Bryan is elected President it is of all things the most probable that the next House will have a Democratic majority, but even admitting that that Congress, dating from March 4, 1901, will not be able to effect any change in our present financial legislation, what, we may fairly ask, will be the effect of the continued agitation of the question upon business and industry, set in motion by a President bent upon the restoration of free silver at the ratio of 16 to 1 and elected upon that platform?

You end your letter by suggesting that I retract what I have said, in fairness to the business community, which should not be unnecessarily disquieted, especially by those in authority. Thinking, as I do, that the election ot Mr. Bryan would be a real menace to the commercial and industrial interests of our people, because of the purpose he cherishes and the power he would possess, I do not feel at liberty to act upon your suggestion. I feel it my duty, at least, to wait until after Mr. Bryan himself has retracted his statement of 1896, that "it (the gold standard) will not be maintained in this country longer than I am able to get rid of it."

Very truly yours,

LYMAN J. GAGE.

Hon. CARL SCHURZ,
Bolton Landing, Lake George, N. Y.

AN OPEN LETTER.

SEPTEMBER 10, 1900.

Hon. LYMAN J. GAGE,
Secretary of the Treasury.

DEAR SIR: The object of my open letter of September 1 was, by offering a means of escape from the dangers pointed out by you, to call public attention to the fact that the present campaign is by no means a repetition of that of 1896, and that the money question now has no right to stand in the way of a fair consideration of other important questions on their own merits. I thank you for the courtesy of your answer, but I must regret that, instead of favorably receiving my well-meant suggestion, it only shows to what length partisan zeal will go in the attempt to frighten the people into the belief that only Mr. McKinley's reelection can save them from general ruin, and that no objection to him in any other respect must have any weight with them.

To help on the alarm, you quote from a speech made by me in 1896, showing what disastrous consequences I predicted would be brought on by the election of Mr. Bryan. I believed at the time, and I believe now, that those consequences would have followed had Mr. Bryan been

elected then, after a campaign turning wholly upon the financial issue, with no existing law seriously to hamper him, and with majorities in both Houses of Congress prospectively at his back. But you know as well as I do that circumstances have essentially changed, and that there is an immense difference between a President so elected and free to act and a President elected after a campaign run on other issues, with adverse majorities in Congress, and bound hand and foot by a law such as now exists, or as you and your friends in power may still make it. Is it quite ingenuous; is it not doing violence to truth to quote words uttered under one set of circumstances, as applicable to a set of circumstances so essentially different?

To my suggestion that if the present law is defective the Republican Congress and Administration would, before the inauguration of the next President, have ample power and opportunity to prevent the executive action with its disastrous consequences, which you so luridly depict, you object that Congress would "probably find it difficult to use that power owing to possible obstructive tactics of the minority." Whatever those who insist upon the necessity of Mr. McKinley's reelection for the preservation of the gold standard may say my parliamentary experience teaches me that if you, as Secretary of the Treasury, prepare a simple measure of remedial legislation and have it introduced in Congress on the first day of the session, and the majority presses it with a sincere determination to use all legitimate means to overcome obstructive tactics, the three months of the session will be more than sufficient to put through such a bill.

There will be no trouble about this if the Republican majority is willing to do it. Or do you suspect that it might not be willing even if such action appeared necessary to save the gold standard? If not willing, then the Republicans would be saying to the American people substantially this: "We are the men to maintain the gold standard; therefore you must keep us in office and permit us to do whatever else we please, however obnoxious it may be to you, for if you vote us out we shall let the gold standard go to perdition, even while able to save it. We have you by the throat and mean to hold you so." If this be really the spirit of the Republicans in power, the people will soon conclude that they are a public danger and a nuisance and ought to be got rid of at any cost. You certainly can not wish your party to stand in such a light.

I repeat, therefore, that the Republican majority in Congress not only can, but, if only for its own moral salvation, will do this thing in case of necessity, and you, Mr. Secretary, then relieved of your partisan campaign service, will, as a good citizen, be one of the first to urge it to be done if you sincerely think the currency law to be as defective as in your recent threat of disaster you represented it to be.

But do you really think that it is so defective and that the dangers you predicted, owing to that defectiveness, really threaten? In your letter you say that, since I had accepted "for argument's sake" your statements on these points, "there is no particular difference between us as to what Mr. Bryan as President could do under the law or in spite of the law as it now is." You must pardon me for observing, Mr. Secretary, that when you tell the public that I agree with you on those points you strain the truth rather violently. Accepting a statement "for argument's sake" means that we admit it only as a basis for reasoning, while we may really hold an entirely opposite opinion.

And in this case I have indeed strong authorities for differing from you, and, curiously enough, among these authorities you, Mr. Secretary, occupy a very prominent place. About July 15 you gave out an interview on the identical points here in question, which has recently been republished and which stands in strange contrast to the alarm blast sounded a month later. It is worth while to place the two utterances side by side:

[Mr. Gage, August 25.]

"There is no doubt that Mr. Bryan could order his Secretary of the Treasury to make payment in silver of all the public debt payable in coin and for all current disbursements of the Government as well, which amount to from $1,500,000 to $1,750,000 a day.

"That he would give such an order, too, is very certain if he is in the same mind that he was in 1896. . . . He would have great difficulty in doing that at once. The Treasury of the Government at present is very firmly established on a gold standard. Including the reserve of $150,000,000 held against the legal-tender notes, the Government owns and controls over $200,000,000 in gold coin and bullion, while it owns and controls only about $16,000,000 in silver, the rest of the silver being out in circulation among the people either in the form of silver certificates or silver coin.

"But the announcement by the Treasury Department of its purpose to pay silver in settlement of all interest on the public debt not specifically payable in gold and to make its daily disbursements to its creditors in silver would stop the inflow of gold, or at least very largely diminish payments in gold, and correspondingly increase payments into the Treasury of silver and silver certificates.

"It therefore might be anticipated that with a good deal of perverse ingenuity the time would come at no distant day when all the revenues of the Government would be paid to it in silver dol-

[Mr. Gage, July 15.]

"I am satisfied that the new law establishes the gold standard beyond assault, unless it is deliberately violated. . . . It is quite true that the legal-tender quality has not been taken away from the silver and paper money of the United States. It would have been a remarkable and disquieting thing to do. . . . What difference would it make to me if I held some bonds and Mr. Bryan should direct his Secretary of the Treasury to sort out some of his limited stock of silver dollars for the purpose of redeeming the bonds? Would I not immediately deposit the silver in my bank and draw checks against it just as I would if the Secretary had exercised the more rational policy of paying me with a subtreasury check? I believe that silver will never drop below par in gold. The crux of the proposition is that adequate measures have been taken by the new law to prevent such a contingency. . . . It is wholly immaterial whether some Secretary of the Treasury pursues the infantile policy of paying silver dollars upon these bonds instead of checks, when, as I have shown, all money of the United States is convertible into gold. These are the distinct provisions of the new law, and they can not fail to maintain the gold standard except by the deliberate violation of the duty imposed by the law upon the Secretary of the Treasury. In the event of Mr. Bryan's election I think the gold standard would be resolutely maintained so long as

lars or silver certificates and all disbursements made by it would be made in silver dollars or silver certificates.

"There would thus be established a circuit of silver out of the Treasury into the hands of the people, from the people into the banks, from the banks into the custom-house, and into the hands of the collectors of internal revenue.

"The Government, then, would be practically on a silver basis, would it not?

"That would no doubt be accomplished, and the Government, properly speaking, would be on a silver basis.

"How would this affect the credit of the Government?

"Most disastrously, I have no doubt."

the law remained on the statute book."

You concluded the interview of July 15 by saying that the law might indeed be subjected "to a severe strain from the November day that Mr. Bryan's election was made known until the Treasury was turned over to him on March 4," and that the present Administration would probably have to "use to the uttermost the powers conferred by the new law to maintain the gold standard," owing to possible apprehensions that might be created among the business community, which, however, does not impugn your previous statements as to the safety of the gold standard under the law as it stands.

Thus it is Mr. Gage who brings against himself the charge of spreading "false alarms." In the one column we hear you as the financier and the conscientious public officer, who feels it to be his duty not to excite but to allay unnecessary disquietude. If it be suggested that Mr. Bryan, if elected, might announce his purpose to pay interest on bonds and the current expenses of the Government in silver, and thereby gradually bring us on the silver basis, the conscientious public officer answers: "Do not excite yourself about this. Even if Mr. Bryan were ever so much so inclined he would under the law not be able to accomplish this mischief. And if there be a flurry of apprehension in case of Mr. Bryan's election, always remember that the gold standard will find protection under the law anyhow. Be not unnecessarily frightened, but go quietly about your business."

In the other column we hear the partisan, who, in order to terrify the public for the benefit of his candidate, descries all manner of deviltry and trouble that may happen under the law; who, when a way to strengthen the law is pointed out to him, as I did point it out, lightly puts that aside as impracticable, and who—an almost unheard-of thing even in our political warfare—suggests that the possible successors of the present President and the present Secretary of the Treasury may intend deliberately to violate the law by the exercise of "perverse ingenuity." All this to put the people into a panicky mood,

and thus to drive them to Mr. McKinley as their only savior from a vague sort of disaster.

Of the same color is the prediction that the sound-money majority in Congress may be wiped out, and that then the gold-standard law will be repealed. You know, Mr. Secretary, that this is no more likely to happen than a heavy snowstorm in July in the latitude of Washington. It is admitted that there will be a sound-money majority in the Senate for at least two years longer. And if in two years the gold standard should appear to be in the slightest danger, is it not absolutely certain that then the same forces that carried the election of 1896 would be on hand to elect a sound-money House of Representatives? There can be no doubt of this.

No candid person can have watched recent political developments without concluding that even a Democratic House of Representatives, elected under the influence of the present public sentiment, would always have sound-money Democrats enough in it to prevent a subversion of the gold standard. You need only observe the present condition of the Democratic party to become convinced that the silver movement has lost its vitality, and that the talk about silver now is a mere rattling with dry bones, kept up on one side to have an appearance of consistency, and on the other to frighten the people into forgetting all other questions and voting for Mr. McKinley; and this, Mr. Secretary, is the task you are now performing. It is an attempt so to terrorize the American people with a threat of business disaster that they may be deterred from considering any other question and from casting a vote which would amount to a condemnation of Mr. McKinley's imperialistic policy.

I, for one, refuse to be so terrorized. I am certainly as anxious to maintain the gold standard as you are. I say this as one who during more than a quarter of a century has made the advocacy of a sound monetary system one of the principal parts of his public activity; who looks back upon that feature of his work with especial satisfaction, and who, if he has somewhat, however little, contributed to the accomplishment of good results, would not lightly expose those results to jeopardy. But I am convinced that the battle for sound money is substantially won, and that whatever apparent danger to the gold standard may still arise, it must and can be overcome without the people subjecting themselves to a moral thraldom, keeping them from independent and conscientious action upon other public questions of equal, and even superior, importance. And I may assure you, Mr. Secretary, that there are such questions with regard to which many American citizens have very strong convictions of duty.

Very respectfully, yours,

C. Schurz.

Bolton Landing, Lake George, N. Y.,
September 10, 1900.

[Treasury Department, Office of the Secretary, Washington, D. C.]

Dear Sir: At the risk of tiring the public with the "open letter" business, which you thought it proper to inaugurate, I make this reply to yours of the 10th instant.

You therein object to my statement that "we are in accord" as to

what Mr. Bryan, if made President, could do to break down the gold standard. You say:

"You must pardon me for observing, Mr. Secretary, that when you tell the public that I agree with you on those points you strain the truth rather violently.

"Accepting a statement for 'argument's sake' means that we admit it only as a basis for reasoning, while we may really hold an entirely opposite opinion. And in this case I have, indeed, strong authorities for differing from you, and, curiously enough, among these authorities you, Mr. Secretary, occupy a very prominent place. About July 15 you gave out an interview on the identical points here in question, which has recently been republished and which stands in strange contrast to the alarm blast sounded a month later. It is worth while to place the two utterances side by side."

In your first letter the only consideration you put forward in answer to my attempted exposition of what Mr. Bryan could do, was to say that the law would restrain him, or if there be doubt on that point, further legislation might be had at the next session of Congress. As you did agree with me "for argument's sake," and did not dispute the correctness of my analysis in the absence of further law, I thought it fair to assume that we were so far agreed, if only on the principle that silence gives consent. You now deny my main proposition and quote in support of your denial my own words. You summon the "deadly parallel," and cite words imputed to me on July 15 to refute my declaration of August 25. You make a palpable hit in so doing, or such it would justly be construed to be, were it not for a principle you yourself suggest as applicable in such matters. You justly say: "Is it quite ingenuous to quote words uttered under one set of circumstances as applicable to a set of circumstances [so] essentially different?"

On July 15 I did, indeed, defend the law as it is, against criticisms to the effect that the law was weak and that emergencies might arise which would render it ineffective to maintain the parity between silver and gold. I then expressed the belief that even if Mr. Bryan should become President the gold standard would be maintained. I might have continued of that opinion until now had not a new "circumstance" arisen. On August 25 it came to my attention, for the first time, that in 1896 Mr. Bryan declared, "It [the gold standard] will not be maintained in this country longer than I am able to get rid of it." No qualifications, no reference to Congress nor authority of law—"No longer than I am able to get rid of it."

Now, Mr. Schurz, both you and I had very positive views as to the virtue and value of the gold standard in 1896, and the views of neither have in the meantime been changed or modified. Is there any reason to hope that Mr. Bryan has changed in his quite opposite views, or that he has in any way relented from the destructive purpose he then cherished and boldly declared? He is talking constantly, but so far as it has come to my knowledge he has not hinted at any change in his personal views or resolute purposes. Under the "circumstances" is it not wise to study how, by the exercise of "considerable perverse ingenuity," he could circumvent or evade the fair spirit and even the letter of the law?

You say I am raising a false alarm for political ends. I deny it. It may be a needless alarm, since we do not know what he would do or

try to do in the premises in question. It is, however, better to be needlessly alarmed and guard against danger, whether real or fancied, than to rest in a false sense of security and be thereby betrayed to ruin.

You seem to be willing to take all the risks involved because of "other public questions of equal and even superior importance" which appeal to you. This is probably the chief occasion of difference between us. You believe the silver issue is dead. The party you now support declares it to be "imminent." I believe it is still alive, and that it is the only real question before the American people at this time. Imperialism, which I assume to be with you the "other and more important question," is, as I believe, a wooden horse, by the aid of which the political opposition hope to enter the city, with a free-silver captain at its head.

Very truly yours,

——— ———.

Hon. CARL SCHURZ,
Bolton Landing, Lake George, N. Y.

STATEMENT OF HON. JOHN WESLEY GAINES, OF TENNESSEE.

Representative GAINES. Mr. Chairman, I have stated before that I am against both of these bills here, and shall be against either if reported to the House, because I am firmly convinced that under the Constitution we have no power or right to demonetize either gold or silver or both. I am convinced that under the Constitution the two are tied together; that under the Constitution, and as treated when the Constitution was framed, the word "money" meant and should now mean and be "gold and silver;" that during the discussions on that subject it was clearly demonstrated that the word "and" was used and to be used conjunctively and not disjunctively, and that Congress has no power by a statute to disjoin or untie the two, or, as Webster says, "displace either." In thus contending, Mr. Chairman, I am supported by the greatest legal minds this country has ever produced, if not by the adjudications of the courts of this country.

Now I desire to read just a few words from a speech of Senator Hoar in the Senate on August 15, 1893, which saves me the trouble of reading the original authority he cites in showing "money" to mean gold and silver, not gold or silver, from a constitutional view. After saying "gold and silver" is "nature's money," he said:

> You may drive out nature with your legislative fork, but again and again she comes running back. This doctrine is recognized in the Constitution:
>
> "No State shall make anything but gold *and* silver coin a tender." "No State shall coin money, emit bills of credit, make anything but gold *and* silver coin a tender in payment of debts."
>
> That the words "money" and "gold and silver" were regarded as equivalents in constitutional meaning is shown by the fact that the Constitution makes a separate provision as to bills of credit and does not include them in the sentence which applies to money. It is not gold *or* silver that a State may make a legal tender—

so said also Senators John T. Morgan and George Gray in the same debate. Here is a direct confession and authority, Mr. Chairman, that the States have the right to make gold and silver legal tender. They have no right to make either one or the other legal tender. They, the States, can make and have made both gold and silver tender by statute.

Senator Hoar continues:

It is not gold or silver that a State may make a legal tender, but gold and silver, the *legal* value of which, by another clause of the Constitution, is to be determined by Congress.

The "*legal*" value, mark you, of the two is to be controlled by Congress.

Senator Hoar further says:

Chief Justice Ellsworth and his associate [his associate who signed the report, I may add, was Roger Sherman, who suggested the use of the words "nor make anything but gold and silver a tender in payment of debts" to the convention, and they were from the great State of Connecticut, from which our learned friend Mr. Hill hails], who represented Connecticut in the constitutional convention, in their report to their constituents of the proceedings of the convention, say that the new Constitution provides that no State "shall make anything but *money* a legal tender for the payment of debts," showing that, in their judgment, the word "money" and the words "gold and silver" are identical or equivalents.

On May 29, 1787, Mr. Charles Pinckney laid before the convention a "Plan for a Federal Constitution," in the eleventh article of which it was ordained that—

"No State shall * * * make anything but gold, silver, or copper a tender in payment of debts" (p. 71).

On August 6, 1787, the committee on detail reported a draft of a constitution, in the thirteenth article of which the identical phrase was copied, except that the word "specie" was substituted for "gold, silver, or copper" (p. 459).

On August 18 Mr. James Wilson, of Pennsylvania, and Mr. Roger Sherman, of Connecticut, moved jointly the adoption of the phrase "nor make anything but gold and silver coin a tender for debt" (p. 620).

September 12 the committee on style reported a draft and had transposed this provision to section 10 of article 1 identically as it had been, except the word "or" was used (p. 706).

September 17 the Constitution was finally engrossed and signed and the word "and" again inserted between "gold" *and* "silver," the convention again repudiating the disjunctive (p. 755).

The meager Journal does not show any discussion on this point; but on August 28, when the section defining treason was being considered, in the draft presented the two constituents of the crime "levying war" and "adhering to the enemy" were connected by the conjunction "and," when on motion of Mr. Madison it was changed to "or," thus showing that the convention had in mind the wide difference in meaning between the conjunctive and disjunctive. The only time the phrase in section 10, article 1, was ever especially discussed was just ten days before, to wit, August 18, and the convention therefore had it in mind, and so the language finally adopted could not have been accident (p. 564).

We know gold and silver both were "money" at common law, and the Constitution continued them so, and the States too.

Senator Hoar continues:

Alexander Hamilton considered this question in his great report on the mint and the coinage.

Senator Hoar then goes on and shows, Mr. Chairman, that he (Hamilton) so treated money as gold and silver combined. We all know that in the great mint report that he wrote and submitted to Mr. Jefferson they put the unit on *both metals*. And here are his reasons.

Mr. Hoar is still quoting Hamilton's words, approved by Jefferson, as follows:

To annul the use of either of the metals *as money* is to abridge the quantity of circulating medium, and is liable to all the objections which arise from the comparison of the benefits of a full with the evils of a scanty circulation.

Either means one of two. Money means gold *and* silver. Here we see both Hamilton and Jefferson treated and called the two metals gold and silver as "money," *the* "money."

Now, gentlemen, just to the extent that you burden gold with silver you increase the demand for gold—the disuse of silver and the unnecessary use of gold. You increase use of gold, and to that extent it takes more of the products of the sweat and muscle of this country to buy a dollar's worth of gold or a gold dollar, and hence prices go down just in proportion as you intensify the demand and increase the uses of gold.

"Daniel Webster declared more than once," says Senator Hoar, "and with great emphasis, that the Constitution requires the coinage of both metals; and it would be a disobedience to our constitutional duty were Congress to discard either." And so said the lamented lawyer and statesman, A. H. Garland, to me often and once in a letter.

Now, Mr. Webster, not only in the Senate, but as an advocate in one of his great cases, said that Congress had no power to stop the coinage of gold, nor did it have the power to stop the coinage of silver; and if it could stop either, it could stop both, and thus rob the people entirely of the money of the Constitution. Yes; Mr. Chairman, I submit, rob them of the money of the common law, the money of our colonial fathers, the money that the colonists had the right to have and have coined as colonists, and to take at their sweet will to the mints of England and coin free, and in America, as they claimed, and rightfully. And I maintain that history proves the fact that they were denied this "right," and we rebelled; that when we wrested our independence from England we brought the common law and statutes to this country that suited us; and the law of that country then was that the people had the right to take their precious metals to the mint and have them made into money whenever they chose—not leaving it to the discretion of the King, or, if you please, to the discretion of the distinguished Secretary of the Treasury (whether he is Democrat or Republican), or any President, to say when the people—you or I—shall have money, and when we shall or shall not have our precious money metals coined into money. That would have been slavery, not liberty.

Senator Hoar had in this speech already said:

I have been, ever since I was old enough to have an opinion on the subject, a bimetallist. I think that is true of all the American people down to 1873, with a very few exceptions. But it has been the bimetallism of Alexander Hamilton, of Washington and his Cabinet, of the framers of the Constitution, of the members of the First Congress, and of the Constitution of the United States.

* * * * * * *

Mr. President, all our great financial authorities of both parties, from the framers of the Constitution, from Alexander Hamilton, and Jefferson, and Webster, and Calhoun, and Benton, and Chase, and Fessenden, Federalists and Republicans, Whigs and Democrats, down to the disturbed period which followed the war, have agreed upon this policy.

That is, Mr. Chairman, "bimetallism" planted in the Constitution. Senator Hoar continues:

There were differences which divided political parties. Whether Congress should authorize a paper currency, under careful safeguards, redeemable in coin, or should

leave that to State discretion or to private enterprise, was a question which divided parties and made and unmade Presidents and Administrations. But down to the year 1873 it never was heard in this country that the legal tender and the standard of value should be anything but gold *and* silver; nor was it ever claimed until 1873 *that both gold and silver could not be relied upon to perform this service.*

I have no doubt that the Committee on Coinage, who reported and enacted the statute of 1873, were actuated solely by a conscientious desire for the public good. * * * They selected for their single standard what was then the cheaper metal, then gold, a metal not only then the cheaper, but of which a large and constantly increasing supply was confidently expected.

Mr. Chairman, I may add gold was in 1873 cheaper than silver.

Mr. Chairman, you know well that Mr. Gage said, in my cross-examination of him, that to make gold contracts produced a disparity between the two coins. He said it distinctly, and we have here his exact words. I asked him the distinct question. And yet we are not only permitting gold contracts to be made throughout this country, but give the maker of these contracts the sovereign's right to say what shall and what shall not be "tender" in the payment of his particular debts, when you deny that even the States have the power to say what is and shall be tender.

In this bill you are going still further, and making silver dependent entirely upon gold, thus intensifying and magnifying and strengthening the power that would disparage silver and produce a disparity—the very thing that this bill proposes to prevent, but, in fact, creates more machinery that encourages disparity.

It seems to me, Mr. Chairman, that the way you are undertaking to inaugurate and to perpetuate a parity is the very means to superinduce, intensify, and magnify a disparity; and the proof in this case clearly discloses the fact, and our common experience and common sense teach the truth of my contention. I regret now my time has expired. I wanted to speak on another branch of this bill, but that has been so fully treated in the argument of my friend, Mr. Shafroth, which I indorse, that I feel content to conclude here by appending as part of my remarks those expressed several years ago on the silver-dollar coinage, fractional coins, that are pertinent in treating the pending bill:

[Nashville Times, September 8, 1894.]

The NASHVILLE TIMES:

Senator Sherman, the would-be and, it seems, is, the national umpire on finance and legislation concerning the same, in a speech in the Senate, among other things, reiterated the indictments, oft repeated by writers and speakers in and out of Congress, as an argument against the principle of free coinage of the standard silver dollar and of silver money generally, which I here note as follows:

"That the whole coinage of silver was only a little over $8,000,000" (from the organization of the Mint (1793) to 1873).

This statement, so often made, and emanating, as it does here, from such a distinguished source, and being so remarkable on its face, attracted my attention and prompted me to make an investigation of the facts and kindred data as they appear in our official documents, which disclose, with others, the fact that our whole coinage of silver from 1792 to 1873 was $142,558,246.07, as shown by calculations made for me by one of our most distinguished teachers and accountants, Prof. R. W. Jennings, which are set forth in the following letter.

JENNINGS'S BUSINESS COLLEGE,
Nashville, Tenn., April 11, 1894.

Col. JOHN WESLEY GAINES, *Nashville, Tenn.*

MY DEAR SIR: As requested by you, I have compiled from the coinage laws of the United States the following statistics of silver and gold coinage, viz:

Coined from 1793 to 1872, both inclusive.

No. 1.

Silver:	
Dollars[1]	$7,703,628.00
Half dollars	98,977,693.00
Quarter dollars	20,884,031.00
Dimes	8,818,650.10
3 cents	1,282,069.20
Half dimes	4,892,175.40
Total silver	142,558,246.70

Of the above amounts the following was coined from the year 1806 to 1835, both inclusive, viz:

No. 2.

Silver:	
Half dollars	$38,467,388.00
Quarter dollars	1,208,337.75
Dimes	1,032,569.40
Half dimes	514,385.00
Total	41,222,680.15

No. 3.

Gold:	
Half eagles	$14,583,840.00
Quarter eagles	744,937.50
Total	15,328,777.50

Comparative silver coinage in 1804 and 1805.

No. 4.

Year.	Dollars.	Half dollars.	Quarter dollars.	Dimes.	Half dimes.
1805	$321.00	$105,861.00	$30,348.50	$12,078.00	$780.00
1804	19,570.00	78,259.50	1,684.50	826.50	....
Total	19,259.00	27,601.50	28,664.00	11,251.50	780.00

Comparative silver coinage in 1804 and 1806.

No. 5.

Year.	Dollars.	Half dollars.	Quarter dollars.
1806	$419,788.00	$51,513.00	....
1804	78,259.50	1,684.50	$826.50
Total	341,528.50	49,856.50	826.50

Total difference, 1804 and 1805	$49,037.00
Total difference between 1806 and 1804	390,584.50

Respectfully submitted.

R. W. Jennings.

Table 1 is exclusively confined to our silver coinage before 1873. The act which dropped and stopped the coinage of the standard dollar piece took effect April 1,

[1] The whole dollar piece coinage from 1792 to April 1, 1873, when the act of February 12, 1873, which dropped the dollar from our coinage law, took effect, was 8,000,225, while our whole silver coinage for the same time was $143,786,882.07.—J. W. G.

1873, to which date, from 1792, we coined $143,786,882.07, coining, from January 1 to April 1, 1873, as we did, $1,228,636.65 in silver money, made up of 296,600 dollar pieces, the residue being small coins.

SHERMAN'S ERROR, $135,786,882.07.

This calculation of the coinage from January 1 to April 1 I make from figures taken from the Coinage Laws, etc., aforesaid. We clearly see Mr. Sherman is in error just $135,786,882.07 when he says "our whole coinage of silver was" during this period "only a little over $8,000,000." Our dollar piece coinage aggregated about that amount, we see and admit, but our "whole coinage," etc., which includes both the dollar piece and small coinage, aggregates $143,786,882.07.

SILVER DOLLARS WANTED.

In 1868 Mr. Sherman and his foreign and local coadjutors began their fight against the silver dollar and for the single standard, in the face of which we coined in 1868, $60,325; in 1870, $445,462; in 1871, $1,117,136; in 1872, $1,180,600 dollar pieces; and this, too, when silver was at a premium of 4 per cent (its market being more than its coinage value), with our gold dollar of 1849 as full legal-tender competitor to oppose and confront its coinage and circulation.

SILVER SLANDERED.

Yet to decry and prevent the remonetization of silver and "the dollar of our dads," in addition to the one already quoted and corrected, Mr. Sherman made this statement, that the dollar "was dropped (by the act of 1873) because nobody wanted it. It was obsolete, dead, dead." And this, too, in the face of the figures just quoted, which show not only a demand, but an increasing demand, for the dollar piece under the most adverse circumstances.

EVEN TRADE DOLLARS WANTED.

This demand would not down, even though it had to be, and could only be, supplied by the miserable makeshift coin, the "trade dollar," ordained by the Republican act of 1873, aforesaid, though it was struck to be used among the heathens of China and India, being open to the right of free coinage, and though a legal tender in sums not exceeding $5 in any one payment the demand for a "silver" dollar and money became so great that this coin was swept into our own commercial arteries without complaint from the people, but in such great sums as to excite the condemnation and enmity of the Republican party, who killed a free-coinage remonetization bill July 22, 1876, and in the same antisilver act stripped this trade dollar of its right of free coinage and legal-tender quality entirely. Then the people did complain, robbing their unfortunate owners or holders, and turning at least $15,510,675 of such money and dollars into simply bullion or money metal—a dead loss to the holders, being wholly valueless as money. So we see the people wanted not only the dollar piece, but even the trade dollar.

In 1876 we struck $6,192,150 of trade dollars, a rapid and abrupt increase over the increased and increasing standard-dollar coinage.

Tables Nos. 2 and 3 show our gold and silver coinage from the year 1806, when Mr. Jefferson stopped the dollar coinage because they were exported, to 1836, when that coinage was resumed.

EQUALITY BEFORE THE LAW.

During this entire period both metals stood equal before the law, both open to free coinage. The result was we coined $25,893,902.65 more silver than gold. The half eagle was not coined in 1816 and 1817 nor the half dollar in 1816. With these two exceptions, both these coins have been coined annually from 1806 to the present date. They are the favorite coin, and yet we struck $23,823,548 more in half dollars than dollars in half eagles from 1806 to 1836. This comparison is true, just, and fair, and about the only one that can be made between the two metals in the history of our mint, because they were coined under like or free-coinage laws and similar circumstances. Do these facts and figures look like "nobody wanted" the dollar piece or that it or the demand for it was "obsolete, dead, dead?"

HALF DOLLARS FULL LEGAL TENDER.

The act of 1792, which ordained the coinage of the three eagles, the dollar, half dollar, quarter, dime, and half dime, directed that they (each) "shall be a legal tender

in all payments whatsoever." The dollars coined before April 1, 1873, and all the half dollars, quarters, dimes, and half dimes coined before, not after, the act of February 12, 1853, amounting, all told, to $74,761,428.19, were and remained full legal tender "in all payments whatsoever until June 24, 1874," when those coins and in the amounts stated with the silver coins of the United States "were limited in their legal-tender quality to any amount not exceeding $5 in any one payment," a double limitation and strangulation. At this time, as it had been for many years before, the dollar piece was worth more than the gold dollar. Gold was then the cheaper metal. Hence this robbery of the people of all this full legal-tender money, added to the outrage of 1873, when the dollar piece was dropped entirely from our coinage law, was a double causeless and outrageous infliction on our people, since these two acts (February 12, 1873, and June 22, 1874) forced our "coin contracts"—before payable in gold or silver—to be paid alone in gold, which was the aim of the stealthy conspirator and archenemy of silver who wrought the passage of these two laws.

Thus the demand for and use of gold was greatly appreciated or increased, while the demand for and use of silver was greatly depreciated or decreased, the latter being the thing wanted by the gold bugs. These acts started the downfall of silver, and they and their offspring, or similar subsequent acts, and private contracts that are and have been made payable in gold alone, have kept up this demand and cry for gold; and thus silver, since 1873–74, has been going down in value, or market value at least, as compared to gold, because the usage to which silver money had been for eighty years theretofore applied were by these acts cut off, whereby the demand for silver money was decreased.

Just as we decrease the demand for a given article its market value decreases. The acts of 1873–74, as aforesaid, decreased the usage to which silver money could be applied, and therefore the demand for silver money decreased, as did the market value of silver compared with gold.

SMALL COINS WILL CIRCULATE.

I stop here to note this observation: The enemies of silver say the silver dollar won't stay in circulation; that it is constantly returning to the Treasury. Now, neither denying nor admitting this, I suggest this remedy: We know the half dollar, the quarter, the dime, and half dime do stay and remain in circulation; they are used on our street cars, over the counter, by the huckster, by the farmer—by everybody. We can not get down town and back on the street car without using them. Now, by the act of 1792 we have seen these small coins were made full legal tender "in all payments whatsoever," and they so remained until 1853, when the law was changed as to the fractional coins, so as to have a forced or compulsory coinage of these small coins, because they were much needed for change in everyday business, and, the market value of silver being greater than its coinage value, they were being exported, and their coinage growing less and less. Hence the Government took their coinage in charge and forced their coinage—not circulation, as some claim.

Now if it is a fact that the silver dollar will not remain in circulation, make these small coins, as Hamilton and Jefferson and Washington had them, a full legal tender "in all payments whatsoever." They remain in circulation and we can rake them together and pay our debts, unless it is otherwise "provided in contract," which is another cancer inflicting silver, which should be repealed and a law enacted prohibiting any provision which allows the individual to make a contract requiring that it shall be paid in gold or in silver. They should be exclusively paid in money—dollars. Both the Government and individual must borrow money. To allow an individual or a class of men to degrade this, the Government's and people's money, or any one of the coins which forms our volume of money, injures the power and ability to borrow and repay of both the Government and individual. It embarrasses both alike.

The individual should not degrade and debase in this or in any other manner either the gold or silver money. Counterfeiting is a criminal offense because it degrades our money. Yet these private contracts requiring that they shall be paid in gold degrades silver just as much as counterfeiting does.

Two things which are equal to each other are equal to the same thing.

SMALL COINAGE INCREASED.

The noncoinage of the dollar began in 1805 by order of the mint director on his own hook, striking that year only 321 dollar pieces, the coinage of which was completely stopped in 1806 by Mr. Jefferson, the stoppage of which was but the intentional signal for an abrupt and immense increase in the fractional or small coinage by the special order of Mr. Jefferson.

Tables 4 and 5 show this, and that we coined in silver money in 1805 $49,437,000 and $390,584.50 in 1806, more than in 1804.

An immense increase in small change much needed, and being a full legal tender, did the work of the dollar completely (made change, too) and remained at home, since it was a new and unfamiliar coin to foreign nations, unlike the dollar which was known and shipped there.

DOLLAR COINAGE STOPPED.

In 1806 Mr. Jefferson directed Mr. Madison, then Secretary of State, to write the following letter:

DEPARTMENT OF STATE, *May 1, 1806.*

ROBERT PATTERSON, Esq.,
Director of the Mint.

SIR: In consequence of a representation from the directors of the Bank of the United States that considerable purchase has been made of dollars coined at the Mint for the purpose of exporting them, and as it is probable that further purchases and exportations will be made, the President directs that all silver to be coined at the Mint shall be of small denominations, so that the value of the largest piece shall not exceed the value of half a dollar.

I am sir, etc., JAMES MADISON.

FOREIGN DOLLARS LEGAL TENDER.

Just twenty days before the date of this letter—that is, on April 10, 1806—Mr. Jefferson approved a bill making the Spanish milled and other foreign silver dollars a full legal tender in all payments, which was intended to, and which did, acceptably take the place of our dollar, which was then only twelve or fourteen years old. Mr. Jefferson said that these foreign silver dollars, and particularly the Spanish dollar, was known and best known to our people "from the North to the South;" that for many years it had entered into our commercial transactions, etc. This action of Mr. Jefferson was challenged by writers "as wholly unwarranted under the law," but Congress and the people acquiesced, *since the cherished right and might of free coinage, and the right of the free coinage of half dollars, quarters, dimes, and half dimes, a full legal tender money, and change, too, was not only left untrammeled and unchanged, but was actually encouraged by Mr. Jefferson, while instead of our dollar the foreign silver dollar, wholly acceptable to our people, was first provided for and supplied before our dollar coinage was stopped. These foreign silver dollars, in whole or in part, remained full legal tender till the act of 1857, the use of which, of course, not only supplanted but retarded and prevented the demand for and coinage of our dollar.*

The noncoinage of the dollar was prompted by the "banks and their depositors," and was not an original measure with Mr. Jefferson, as the Mint report of 1805 demonstrates, saying:

SMALL COINAGE ENCOURAGED.

"The striking of small coins is a measure which has been adopted to accommodate banks and other depositors at their particular requests, both with a view of furnishing a supply of small change and to prevent the exportation of the specie from the United States to foreign countries."

ROBERT PATTERSON, *Director.*

MINT REPORTS OF 1805–1827.

The Mint report of 1805 was submitted to Congress by Mr. Jefferson January 15, 1806 (before Mr. Madison's letter), without any comment whatever.

The Mint report of 1827 says: "The coinage of half dollars in preference generally to that of the dollar was adopted on a suggestion that this form of silver coin would impose a beneficial restraint on its export from this country. The effect, it is believed, has justified this preference and offers still an adequate motive for adhering to it."

By 1853 these small coins were being exported, having become familiar to foreign nations, to prevent which the act of 1853 was passed, stripping these coins of their right of free coinage, which was assumed entirely and exclusively by the Government, the grains of silver in each being lessened 8¼ grains, to make their coinage worth more than their market value, again making them "unfamiliar" coins, while their legal-tender value was confined to sums not exceeding $5. These coins placed under a compulsory or forced coinage, a fortiori greatly increased their issuance, which was intended, supplying again a much-needed stay-at-home small change.

JEFFERSON SILVER'S FRIEND.

Mr. Sherman, in his effort to further darken the possibilities of remonetizing the dollar coinage, in the same speech from which I have quoted above stated that even "Mr. Jefferson in 1805 stopped the coinage of the dollar;" that "free coinage was a privilege not cherished." In fact, these statements, coupled along as they were stated with those above given unexplained, coming from the source they do, and so often repeated, were and are well calculated to do silver and its remonetization and its true history and future possibilities great injustice, which Mr. Sherman intended; but these facts, data, and the history here quoted show that Mr. Jefferson was not only the friend of silver, but was the champion of "the principle of free coinage." He did not rob the people of a full legal-tender silver dollar or money at any time, nor order the noncoinage of the former until he had first substituted wholly acceptable dollars. Had he been an enemy of silver, of our money, or free coinage, he could have recommended the repeal of the act of 1792 that created them.

I ask what more could he have done than he did do to equip his people with a full legal tender, acceptable silver dollar and money?

Again, if the people did not "cherish the privilege of free coinage" in 1873, why was it that right was given by Mr. Sherman and others to the trade dollar, the coinage of which was requested and which was so freely coined, as shown by the large trade-dollar coinage, which exercised the enemies of silver to such an extent as that this trade dollar was in 1876 stripped entirely of its legal-tender qualities and turned into nothing more nor less than metal or bullion? The manager of the bill in the House (which afterwards became the act of February 12, 1873) stated that the silver dollar was dropped from our coinage laws because gold was the cheaper metal and that it would be better, therefore, and cheaper for the Government to encourage the coinage of gold and liquidate its many large coin contracts in the cheaper or gold money. Silver, they say now, is too cheap to coin into dollars to pay either private or public obligations. The rule of 1873, it seems, is not permitted to be the rule of 1893.

Such is the birth and deathbed history, at least in part, of the "dollar of our dads," ordained by the act of 1792, written by Hamilton, the father of our Constitution, commended by Jefferson, the father of Democracy, and approved by Washington, the father of his country, as President of the United States. I do not know why this dollar piece was nicknamed "the dollar of our dads," but if we can give no other reason for so naming it, and for pointing unremittingly to the undying principles that are entwined about it, the fact that these "fathers" provoked its coinage and promulgated the principles that enwreathed it is a sufficient reason and explanation for the writer.

J. W. Gaines.

STATEMENT OF HON. RODERICK D. SUTHERLAND, OF NEBRASKA.

Representative Sutherland. Mr. Chairman, I wish to take this opportunity of entering my denial, in the record, of the statement made by my good friend from Wisconsin this morning that the hearings on this subject have been thorough, and that the matter has been discussed in the past few years so that everybody understands it. The hearings on the pending bills have been thorough so far as the supporters of the measures are concerned. Those who believe in both the Hill and the Levy bill evidently have not been content with resting their case before this committee upon the discussion of this question during the last four or five years; but they have seen fit to call before this committee numerous experts, and those experts have testified and given their opinions; and then our good friends come to the conclusion that the hearings are thorough and complete, and the matter is closed.

We have not had an opportunity to present our views nor to call those who, we believe, could substantiate our views in a more perfect manner than the members of this committee. I know my good friend would not intentionally have the matter go in the record in that way, so that I take this opportunity of stating that so far as we are concerned we deny that the hearings have been thorough and complete.

Representative Otjen. Is it not true that you have had an opportunity to have any witnesses called whom you might suggest?

Representative SUTHERLAND. My opinion was, during the entire hearings, that each day would see their culmination, and that practically but one or two or three gentlemen would be called. But the hearings (which have been very interesting) have been extended, and I did not understand that there was going to be an attempt to bring them to a close.

Representative COCHRAN. Is it not true that every day notice was served on us that the next day somebody or other would be here, and he was a stranger from a distance and ought to be heard; and would he not appear and be told to proceed, and use up the time?

Representative SUTHERLAND. Yes.

Representative OTJEN. But is it not a fact that all witnesses would have been summoned that any member of the committee asked to have summoned?

Representative SUTHERLAND. I think that is true.

Representative GAINES. I will state that as soon as I was informed that we would have a chance to bring in witnesses for the minority I immediately requested the chairman to invite the gentleman whom I named last Saturday.

Representative SUTHERLAND. But it is very evident that the majority members of the committee are not content to rest their case on the thorough discussion of the last four or five years, but have seen fit to supplement it by expert testimony here.

The CHAIRMAN. I will say that I think I stated to the members of the committee that anyone whose name they would suggest would be invited to appear before the committee, and I have invited everybody whose name has been given to me.

Representative GAINES. There is no question about that, but there is a question on the subject of time.

Representative SUTHERLAND. Now, Mr. Chairman, I object to this bill for the reason that it directs that the silver bullion of the Treasury shall be converted into subsidiary silver coin, and it authorizes the Secretary of the Treasury, as the occasion requires, to recoin the silver dollars into subsidiary coinage.

I want to take the opportunity of asking the author of this bill a question or two at this point, in order to get his views. I do not care to enter into a controversy. I do not think that several of the questions I will propound have yet been propounded in the direct manner in which I will attempt to ask them.

Your bill will practically retire all silver dollars held in the Treasury or now in circulation, will it not?

Representative HILL. The bill authorizes the coinage of the bullion into subsidiary coin as public necessity requires. When that is done, if public necessity and public requirements demand further subsidiary coin, it authorizes the Secretary of the Treasury to recoin silver dollars. It depends entirely upon public necessity for subsidiary coin.

Representative SHAFROTH. And it also makes the silver dollar exchangeable in gold at demand?

Representative HILL. He did not ask that question.

Representative SUTHERLAND. And it is the view of the author of the bill, is it not, that gold and bank notes should be the only money of the country?

Representative HILL. My view, in answer to your question, is that we should return to the conditions prior to 1860, where gold was the

actual currency (I dismiss the law), the actual legal tender, and silver was only a subsidiary coin in practice, and the commercial instruments of the country were bank notes. That is my view of the wise condition to which we should come.

Representative SHAFROTH. And you think this bill is in that direction?

Representative HILL. I think this bill tends in that direction. It would take years to bring about that condition of gold and silver. It has no reference to the banking feature. I am in hopes that that will be elaborated in another committee.

Representative SUTHERLAND. Referring to our conversation of yesterday, I will ask the author of this bill, Mr. Hill, what, in his judgment, will be the money of the future, on account, presumably, of the increased gold supply?

Representative HILL. I believe that it will be gold as the legal tender, or gold as the measure of value, without any reference to its being legal tender; and silver will be used as the most convenient metal for subsidiary coins.

Representative SUTHERLAND. And the nations of the world will use those only, in your judgment?

Representative HILL. I believe as they become more and more advanced in their commercial transactions, they will inevitably tend, law or no law, to just that condition.

Representative SUTHERLAND. Mr. Chairman, as I have but a limited time, I will say that I am opposed to any further tinkering with the financial system of the country along the lines laid down in this bill, believing that it will be injurious to trade and business and a violation of the rights of the producers of wealth. I thank you.

STATEMENT OF HON. CHARLES F. COCHRAN, OF MISSOURI.

Representative COCHRAN. I prefer to discuss this bill from the standpoint of the advocates of the gold standard—that is, as to its efficacy as a prop for the gold standard—and to dismiss entirely from consideration the question of bimetallism, or any other question that has been before the people at any popular election, or which has heretofore formed the confession of faith of any political party, in Congress or outside of it.

The prime objection to gold monometallism is that there is not in the world enough gold to furnish basic or redemption money for all the great commercial powers, and that therefore as long as we have the single gold standard in this country and Europe there will be an incessant scramble for gold and frequent disastrous financial panics.

The second objection is that as long as the world is divided into two camps, the one using silver and the other gold in their commerce, an inevitable and constantly changing disjointure of exchange will cause embarrassment to the world's commerce and make bankruptcy a specter in the future of the large class of international traders affected by these unstable conditions. At frequent intervals attempted adjustments, like England's undertaking to maintain artificially an inflexible value of Indian exchange, will disturb not only the relative value of mediums of exchange between silver and gold using countries, but the fiscal relations and course of dealing between gold-using countries.

The gentlemen who regard this additional prop for the gold standard as necessary ought to be sure that in days of distress and danger it would be a safeguard and not a menace. I regard it as an act strengthing the hands of the Treasury raiders and hostile to the maintenance of the gold reserve. And let not its friends allow the mere fact that the gold mines have recently been and are liable to be for many years to come generously prolific to close their eyes to this danger. If the production of gold is increasing, the demand for gold is increasing more rapidly. Conceding all that is claimed by those who regard increased gold production as conclusive of the controversy, I assert that in relation to its uses and the consequent demand for it the supply of gold is inadequate and that there is not now and never will be a sufficient quantity of gold to warrant the demonetization of silver by western nations.

What has been the movement of precious metals during the latter part of the past century? Early in the century we find that Austria and Russia sank to a paper basis, and from that time until four years ago Russia remained dependent entirely upon depreciated paper as the money of commerce and the legal-tender currency of the country.

We find that from the period of Napoleonic wars, with occasional spasmodic efforts to resume specie payments, Austria has been and to-day is upon a depreciated paper basis—the statement of one of the learned experts here the other day to the contrary notwithstanding.

We find that Italy, too, has sunk to a paper basis. Moreover, that wherever we go—to France, Holland, to Belgium, to Germany, to Italy, or even to Great Britain—along with the pretense that the gold of the world is abundant for its commercial uses, we find legal-tender paper, largely in excess of the gold supply in volume, and silver form the money of the people and the money of commerce.

Even during the period in which Europe had the use of all the specie of the western nations, and probably the greatest degree of prosperity and the most general use of specie in its trade known to history, there was no redundancy of specie in European money centers. Forty years ago the misfortunes to other parts of the world placed the specie of two continents at the disposal of western Europe and Great Britain. The product of the gold and silver mines of California went to France, Germany, Holland, Belgium, and England, giving them a monopoly of the treasures of the world. I have said that Austria and Russia were on a paper basis. Did not that release from them all the specie that was not specially hoarded by their Governments or their rich people? Succeeding that, in 1861, did not the tocsin of war expel from this country all of its specie? And with Austria and Russia on a paper basis, and Italy a mere sluggard and sloth in the commerce of the world, did not that pour into the money centers of Europe the combined capital of all Christendom?

In other words, commencing in 1861 and running down to 1878, all the gold and all the silver available in the division of the world's money to the Christian powers was concentrated in those five nations, and formed the basis of their commerce and their business. Their supply then was vastly larger, in relation to the demand, than it is now. Did they complain?

At this time it requires only casual consideration of the finance markets of the world to demonstrate the absurdity of the cry that the productiveness of the gold mines has settled the money question.

With all the increased production of which you boast, the world was never as short of gold, in view of its necessities, as it is to-day.

Four years ago, when the Fifty-fifth Congress assembled, the report of the Russian minister of finance (said to be in the nature of a treatise upon the whole science of financial economy) detailed to some extent the process by which that great Empire sought to reach the gold basis? And what was that process? By forced contraction of the currency, thereby forcing upward the value of the paper money, as we did under the Sherman resumption law? Why, no. They redeemed their paper at a discount; and the great financiers said it was a wonderful scheme of finance. Russia is on a gold basis now; but how has she reached it? She has reached it by loosing to the other financial markets of Europe three hundred millions of her seven hundred millions of gold.

Representative SHAFROTH. She reduced the size of her gold coin one-third, too.

Representative COCHRAN. Certainly she did. This placed Russia on the gold basis, and every paper that you pick up says that in that country, at this time, commercial and industrial dry rot have followed the experiment. Now, these are not the comments of the followers of Mr. Bryan or Mr. Bland. These are not the comments of those who believe in bimetallism, as distinguished from gold monometallism or any other form of monometallism. These are the comments of the European press and European writers, who see in the immediate future and recognize as inevitable a commercial crisis in Russia and Germany, caused by the want of gold upon which to base credits sufficient to carry on the business of the country.

And, gentlemen, in the plenitude of our present power, is it not well to pause and analyze the causes which have brought about progressive industrial stagnation abroad and better times than we had in 1894–95–96 in the United States? We said to you in 1896, and I repeat to you now that, inevitably, as you decrease the quantity of basic money in the country you must decrease the volume of legitimate and well-based credit. To pursue the contrary course is to invoke a cataclysm.

Credit may go mad. It may vastly exceed the base. It may tower as an inverted pyramid; but in the end it must be scaled down—either by degrees, afflicting trade and destroying prosperity by the slow process of dry rot, or with a crash involving all classes and all sections, but particularly those engaged in productive industries and sections devoted mostly to agriculture.

Again I inquire, By what process have we reached our present proud position in commerce? We suffered in 1891 and 1892 and 1893 from a gradual decline in prices. The Democrats said the distress was owing to the scarcity of money. Republicans said we did not need more money, but confidence. We said, "As long as this scarcity exists, this dry rot will continue." You said, "The world has ceased to rely upon money. What it needs is confidence."

What did Republican orators have to say on this subject last year? They said, not that confidence had returned, but that Republican rule had increased the currency of this country and thereby had brought prosperous times—adopting the formula which they had denounced, confessing the creed which they had repudiated, and going before the country in the attitude of repeating, word for word, speeches made in

defense of silver in 1896, with the exception that they substituted imported gold for what might have been American produced silver!

Now, what has given us the advantage over foreign countries, of which much has been said? Why, in 1896 we reached the bed rock. What was that bed rock? A cost of production of certain great export commodities below the cost of production in Europe. What was the result? With decreased cost of production we were enabled to underbid European countries in which formerly the cost of production was lower than ours. The result is we have built bridges in Egypt and in Persia; we have built electric roads in London, and sold our machinery in Germany. The panic of the early nineties forced the cost of production in this country down below the European level of the cost of production.

Commerce and production here having reached this lower level of prices, now Europe sees her gold stores pouring into our vaults, and prices, measured by the gold standard, must now sink to a lower level in Europe. The decline is only to be attained by taking the place lately held by us on the gold-standard treadmill. Dry rot has supervened in Germany and will continue until a crisis is reached, and again lower cost of production will accommodate German trade to the new conditions. Gentlemen, we are on the ascending end of the gold-standard teeter board just now. It is not conducive to straight thinking to reach conclusions from this standpoint without keeping in mind how we got there, and it is madness not to bear in mind the fact that we shall see in the future just such financial storms as we have suffered in the past.

Coming to that phase of the problem, then, let us investigate the provisions of this bill. When, instead of an enormous balance of trade in our favor, instead of sunny skies and bright prospects, we shall look in the face of a Treasury deficit (as might well occur from a serious decline in the volume of business, since all of your revenues are measurable in that way), when we shall be called on to part with gold instead of receiving it, what will be the effect of this measure? Will it strengthen the hands of the Government? Do you tell me that the financiers of France, the financiers of England and of other foreign countries, who regard the loss of gold as a misfortune and who somehow manage to interpose a barrier to prevent the outflow of gold in times of danger, are all unwise? Do you tell me that the acme of wisdom is expressed in laws having for their avowed purpose the facilitation of the outflow of gold from the only gold store in this country? Do you tell me that this Government ought not to find somehow, if it can, an expedient similar to that resorted to in Great Britain, and described in some detail in the testimony of the experts here, or in France, but that on the contrary it ought to break down every safeguard and make everything in sight a free sight draft upon the gold reserves?

I forbear to refer at length to the fact that had you said in 1896 what you say now the result would have been different. When it was charged at that time that the campaign then in progress had for its final end and object the utter abandonment of silver as anything but token money, so far as my section of the country is concerned, and I think generally throughout the country, it was spurned as a campaign slander.

Not only that. When that delectable company of statesmen (who, up to that period, had no fame in the world of wise men or scholars,

but who now control the Republican party and the Government—a numerous job lot of bankers and corporation managers) assembled at St. Louis, tore up the platform written in Ohio under the dictation of the present Chief Magistrate, and wrote in its place the first avowal in favor of the gold standard that ever found utterance as the creed of a party in this country, the innovators did not honestly face the country as advocates of the gold standard. They put in the platform the hypocritical pretense that Republicans favored international bimetallism, and were better silver advocates than we; that the only road to bimetallism and safety was through international agreement; and if my memory serves me right, you had not reached that acme of courage last year which, now that you are safely elected, enables you to boldly proclaim your intention to make the eternal departure which is contemplated in this statute.

Going back to the question of gold supply, what is the situation? Russia had seven hundred million when she resumed specie payments—the largest gold hoard in the world. From that time on, down to the present, the gold mines have poured out unprecedented quantities of gold. Now, it would seem that Russia, a producer of gold, should have recruited and added to her seven hundred millions, and so be now absolutely safe. In view of the large production occurring elsewhere for the accommodation of other gold-using countries, it would seem, if the claim that increased production has settled the question be well founded, that Russia at least ought to have held her own.

But not so. Russia has left only four hundred millions. Well, this $300,000,000, supplemented by the large output of the mines, has gone into service elsewhere. Has it supplied the wants of Europe and ended the scramble there? No. The exodus of a little gold from Berlin or London is regarded as of sufficient moment to be commented on as an omen of danger; and after each loss you will find reassuring paragraphs in the newspapers to the effect that this or that will occur to ameliorate the condition of the money market in the near future.

It is a significant fact that newspaper comments upon the European financial situation now are mere reproductions of comments on our condition seven or eight years ago.

Instance: A Berlin dispatch of recent date stated that London had received five millions in gold from New York, and this would temporarily alleviate conditions there, and so relieve the strain in our own (the Berlin) money market. But, said the Berlin editor, before the next settlement day England must recruit her gold stock to the extent of several millions; and the situation in London may render a stringency in the German market a certainty.

There is plenty of gold, you say, yet the conversations and writings, discussions in the papers and in financial circles across the sea are precisely like those current in similar circles on this side of the ocean six years ago.

In conclusion, as an answer to the contention that mining and mint statistics, showing vastly increased gold production, have settled the money question, I direct attention to the fact that, according to these statistics, at this time there is in use in the world, in the form of money or available for monetary purposes (including bullion in depositories), less than the production of the gold mines since 1862. Where has the remainder gone? Do these figures prove that increased gold production necessarily adds permanently in a similar ratio to the stock of gold money? Do they furnish a safe basis for implicit confidence

in maintaining the vast volume of credit throughout the world upon a gold basis? Gentlemen, do not be deluded into thinking so. The gold standard is wrong in practice and wrong in theory. It has not been intrenched beyond the danger of assault in the future. Evils growing out of it have vexed the world for a generation, and will continue until we shall have retraced our way to the solid ground of bimetallism.

Notwithstanding your efforts to discredit silver, its gold value has risen 18 per cent in the markets of the world in the last two years. How do you account for it? It is no longer coined as money here. Coinage is limited to government option in India. Japan has gone to a gold basis in a certain degree. Everywhere the hand of the syndicate, banker, and bondholder, vested with the sovereign power of governments, is uplifted against silver; yet, measured in gold, its value increases. How do you account for the fact that the strenuous demand for the white metal throughout the world has depleted the currency and reserves of Mexico (a silver-using country) to such an extent as to involve a commercial crisis and a threatened panic there?

Representative HILL. At the request of Mr. Peabody and Mr. ——, members of the finance committee of the National Board of Trade, which met in Washington yesterday and is here to-day, I submit and ask that it may be made a part of the record their resolutions on the subject of currency and bank circulation. It is their desire that they shall go into the record and be made a part of the record, and I will state that they refer to two or three different subjects. These resolutions were adopted yesterday unanimously by the National Board of Trade. I have refrained from submitting them to the committee prior to this time because they distinctly indorse, by number and by name, the bill 13099, and I thought I should wait until action was taken before submitting them.

Representative LEVY. I wish to call the committee's attention to the fact that Mr. Peabody stated that he did not have my bill before him and did not consider it.

Representative HILL. Oh, there is no doubt of that.

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES,
House of Representatives, January 24, 1901.

DEAR SIR: As I am unable to revise the report of my expressions before your committee on the 22d instant, will you do me the favor to revise it in my behalf.

I did not intend to say that even in England there was a premium upon gold coin, but that the export of gold is retarded by enhanced rate of interest.

I would like to record value of Mexican dollar as 48½ to 48¾ cents.

Very truly, yours,

HENRY W. PEABODY.

Hon. E. J. HILL, *Committee on Coinage.*

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES,
House of Representatives, January 24, 1901.

DEAR SIR: Will you kindly permit me to supplement my verbal expressions before your committee, 22d instant.

Participating in the framing of resolutions upon currency and the gold standard adopted yesterday by the National Board of Trade and conferring with official authorities, I have full approval of the proposed exchange of gold for silver dollars as expressed in the aforesaid resolutions.

Respectfully, yours,

HENRY W. PEABODY.

The CHAIRMAN OF COMMITTEE ON COINAGE.

REPORT OF COMMITTEE ON GOLD, SILVER, CURRENCY, AND BANK LEGISLATION.

The National Board of Trade favors the enactment of such further legislation as may be necessary to place this country upon a sure and fixed gold-standard basis.

We approve of the maintenance of the gold reserve fund of $150,000,000 for redemption of the obligation of the Government, and further recommend the enactment of the following measures of House bill 13196, introduced by Hon. Ebenezer J. Hill, viz, that when United States notes and Treasury notes, issued under the act of 1890, are redeemed from the reserve fund in the Treasury they shall be canceled and destroyed, and that the Secretary of the Treasury be directed to cause to be placed in the redemption fund a like amount of gold coin against which gold certificates shall be issued in place of the notes so destroyed.

Also from House bill 13099, introduced by Hon. E. J. Hill, that the Secretary of the Treasury be directed to coin the silver bullion in the Treasury purchased under the act of 1890 into subsidiary silver coin to meet public requirements and, as public necessities demand, to recoin silver dollars into subsidiary coin.

And in order to maintain absolutely at parity with gold the legal-tender silver dollar, the Secretary of the Treasury be authorized to exchange gold for said dollars when presented to the Treasury in sums of $5 and multiples thereof, all provisions of the reserve fund relative to United States notes to be made applicable to the exchange of legal-tender dollars.

Resolved, That we recommend to Congress amendment of the national banking act with reference to the issue of currency responsive to the various needs of business at all seasons and in all sections.

Whereas there is great risk of transmission of disease in consequence of the retention in circulation of old bank notes, which are thus kept out in consequence of the cost of remittance to Washington: Therefore it is

Resolved, That the Secretary of the Treasury be authorized to pay the express charges both ways on such notes when sent for redemption.

Whereas no material injustice results to holders of mutilated and abraded gold coin from refusal of the Government to redeem it except at its proportional bullion value, but as serious injustice does result to holders of abraded or mutilated silver coin which has been received at its full value: Therefore

Resolved, That the Secretary of the Treasury be authorized to redeem, at his discretion, such abraded or mutilated silver coin at a proportional valuation proportional to its original weight.

Respectfully submitted.

CHARLES PARSONS.
J. R. CARTER.
H. W. PEABODY.
J. G. CROXTON.
C. B. CONGDON.
C. A. HINSCH.
C. A. HINSCH,
Secretary.

(The committee thereupon proceeded to the consideration of executive business.)

STATEMENT OF PERCY KINNIARD, OF NASHVILLE, TENN.

Mr. Kinniard could not attend and sent the following:

The act of March 14, 1900, entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," was approved by President McKinley March 14, 1900.

The act of 1792 made the unit of the money of account the word "dollar," and had affixed to this word the value of 371¼ grains of silver or its equivalent, 24.75 grains of gold. This was necessary under a bimetallic system, and inasmuch as it gave to each quantity of metal the right of legal tender the debtor could use either in making payments.

It is claimed that the act of 1873, by restricting the measure of the

value of the unit to 25.8 grains of gold alone, has deprived 371¼ grains of silver of that right.

Whatever else may be claimed, it will not be contended that our "money of account" has been changed, and if it has not been changed, the unit of the money of account still remains the "word" dollar as determined by the act of 1792.

Section 1 of the act of March 14, 1900, notwithstanding it reads "that the dollar, consisting of 25.8 grains of gold, nine-tenths fine, as established by section 3511 of the Revised Statutes, shall be the standard unit of value," only means that the value of the unit of the "money of account," the "word" dollar, shall mean in all the financial transactions in this country 25.8 grains of gold, equally with 371¼ grains of silver, and no longer be its mere equivalent. It could not be construed to mean that 25.8 grains of gold, instead of the "word" dollar, was the unit of the money of account.

For in the legal-tender cases, it will be recalled, the Supreme Court stated that "it is hardly correct to speak of a standard of value. The Constitution does not speak of it. It contemplates a standard for that which has gravity or extension, but value is an ideal thing. The coinage acts fix its unit as a dollar; but a dollar is in no sense a standard of a dollar. It is a representative of it. There might never have been a piece of money of the denomination of a dollar."

If value is an ideal thing, as the Supreme Court so well holds, the value of the unit is an abstraction, a concept of the labor and energy expended and privation undergone in securing and creating products, and the relative value of the utility of these products to each other in ministering to humanity's wants.

It is evident, therefore, that as the idea of "value in use" of products to each other must change with the change in the products and changing conditions, and be affected by a change in other things, the value of the unit by which these changes are noted must be stationary.

Therefore under a pure and scientific system of finance a certain quantity of metal which, from numerous uncontrolled and uncontrollable causes, is constantly changing in its relation to everything else from the use to which it is put and the purposes for which it is used, and therefore varies in value, even if it is in the shape and form of a legal-tender coin, was never attempted before to be made a standard of value in any financial system, for such an attempt is a patent absurdity, until it was attempted in the acts of 1873 and March 14, 1900.

The use of the word "standard" implies unchanging, unvarying stability under any and all circumstances and conditions, and since these characteristics can not apply to a concrete substance when coined into money, to undertake to legislate them into inherently unstable and changing metal by making a certain quantity, 25.8 grains, a standard of value or the unit of the money of account is the absurdity of the century.

If this absurdity is attempted to be enforced by the power of the Government upon our financial system, it will have the effect of creating the greatest confusion among the people, for it will be impossible for them to form and alter their ideas of the relative "value in use" of products to each other, measured by the value of 25.8 grains of gold, when, notwithstanding the law declares the value of gold to be stable, it is in fact and in truth chasing itself up and down the scale of values by reason of the discovery of new mines and the manipulation of the designing, aided by the assistance of Congressional leg-

islation as set out in section 6 of the act, and its increased or decreased use by other nations.

The result would be that the manipulators would have the power to create and destroy values at will, and following the inclinations of the viciously greedy, as manifested for ages past, they would to their heart's content, if avarice is ever satisfied, be enabled to transfer the property of the people to themselves.

The single gold standard, as it is called, or gold alone, as money of final redemption, was attempted to be fastened upon the country by the act of 1873, and has been put into the operation of its finances. If this construction is to be given the act of 1900, it is as well to preserve the correctness of financial expression, even if rascality is being consummated, for the use of the expression "25.8 grains of gold shall be the standard unit of value," instead of the expression "the value of the unit of money of account shall be 25.8 grains of gold," may be used as an excuse for the judiciary, under the influence of the money power, to hold, sometime in the future, that Congress can not authorize the issue of Treasury notes, as has been done throughout the entire history of the country, and thus made the country an easy prey to invading enemies.

The act of 1873, which was codified as section 3511 of Revised Code, undertook to change the measure of the value of the unit of the money of account from 371¼ grains of silver and 25.8 grains of gold, as it then was, to 25.8 grains of gold alone, but it only read "that the gold coins of the United States shall be a one dollar piece, which, at the standard weight of 25.8 grains, shall be the unit of value."

To be more accurate, while the act of 1792 had made 371¼ grains of silver the value of the unit, it had only made 24.75 grains of gold the equivalent of the value of the unit. It is evident, then, that under a proper construction of the act of 1873 the courts would be forced to hold that 25.8 grains of gold was by that act only changed from being the mere equivalent of the value given the unit of the money of account to a measure of the value of the unit, as was 371¼ grains of silver. The act of 1873 can not be honestly construed to mean that it repealed so much of the act of 1792 as made the "word" dollar the unit of the money of account and 371¼ grains of silver the measure of the value of that unit, for it admits of no such construction, either directly or by implication, even if it were not an absurdity in the science of finance.

If this be true, then, 371¼ grains of silver has been the measure of the value of the unit equally with 25.8 grains of gold since 1873, as it alone had been prior to that time; and the construction given the clause "to maintain the parity of the two metals," because it was claimed that the act of 1873 changed the unit of value to 25.8 grains of gold alone, was illegal and an imposition.

That 371¼ grains of silver has been since 1873, equally with 25.8 grains of gold, the measure of the value of the unit of the money of account was well known to those Republicans in the Senate who had charge of the bill, and while they allowed Mr. Cleveland to ignorantly or criminally assume that gold was the only money of final redemption, because it was claimed that it was the unit of value, they were not willing to frame and pass the act of 1900 upon such assumption.

Therefore, while they insisted that the country was on the single gold standard and had been since 1873, they resisted all efforts to strike out as surplusage so much of section 1 as declared 25.8 grains of gold to be the standard unit of value, and persisted in incorporat-

ing in this act what they claimed purports to be merely a reassertion of the act of 1873.

By a comparison of the two acts it will be seen that, whereas the act of 1873 reads "that the gold coins of the United States shall be a one dollar piece, which, at the standard weight of 25.8 grains, shall be the unit of value," the act of March 14, 1900, reads "that the dollar, consisting of 25.8 grains of gold nine-tenths fine, as established by section 3511 of the Revised Statutes of the United States, shall be the standard unit of value." The material change is in the substitution of the word dollar for gold coins and the addition of the magic word standard before the unit of value, which the draftsman doubtless thought would operate to repeal so much of the act of 1792 as made the "word" dollar the unit and 371¼ grains of silver the measure of the value of the unit, notwithstanding the Supreme Court in the legal-tender cases had stated that the use of the word "standard" in the connection in which it was used was incorrect, and could not mean anything when so used, and notwithstanding the contention is absurd.

The last clause of section 1 of the act must have also been intended to be curative of the defect in the act of 1873, for it reads that "All forms of money issued or coined by the United States shall be maintained at a parity of value with this 'standard,' and it shall be the duty of the Secretary of the Treasury to maintain such parity." If this was intended to be a reassertion of the law of 1890, "to maintain the parity of the two metals," as it most probably was, in addition to being an effort to cure the defect in the act of 1873, and foist gold, as the only money of ultimate redemption, on the country, the change from maintaining "the parity of the two metals" to maintain "the parity of all forms of money issued or coined" was most material.

To preserve the parity of value of the metals would be impossible unless we gave all of both metals free access to the mints, so that we could affect the value of all of both metals, and that would be bimetallism.

If all the nations of Europe and this country gave the value of legal tender and free coinage to gold, as they do, while only this country gave the value of legal tender and free coinage to silver, it would appear that though the value of silver would be appreciated by the use this country would make of it, it would not be able to make its value equal to gold.

This appearance is deceptive, however, for the Hon. John Shafroth, of Colorado, in a speech delivered March 13, 1900 (Cong. Record, vol. 33, No. 136, p. 6543), has conclusively shown that the magnitude of our business is such and such are our demands for mediums of payment that we could so advantageously use all the silver we could get that it would have the effect of making it at par with gold at the present ratio. The speech is exhaustive and conclusive of the contention. To preserve the parity of value of all forms of money issued or coined is another matter. In such a case we are only concerned with the money we have affected by making it legal tender, whether it is paper, silver, or gold.

John Sherman, who drew the act of 1890, knew that it was no trouble to preserve the parity of value of all our money. He knew that was done by making all of it equally a legal tender, and he therefore wrote the act as he did, obligating the Government to preserve the parity of the "two metals," when we were only coining a limited amount of silver.

This was an impossibility as well as a financial absurdity; and when

the Government undertook to do it, it made itself absurd and its officials criminals by the manner in which it was attempted, as has been heretofore shown.

The act of March 14, 1900, in the first section charges the Secretary of the Treasury with maintaining this parity. The Secretary is not as powerful as the Government; and when the Government makes paper, silver, and gold full legal tenders, it has established an equality between the three before the law in all the relations of life in the United States, which, of itself, maintains their parity of value. Anyone in the United States can pay any debt or obligation with legal tenders, for legal tender means a solvent of debt.

Gold is a full legal tender, but the greenbacks, Treasury notes, silver, and silver certificates are not.

The United States notes, or greenbacks, were issued as legal tenders in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt. When, by the act of May 31, 1878, their indefinite reissue as a circulating currency was authorized, nothing was said as to their legal tender, but the Supreme Court, in the case of Juillard *v.* Greenman, held that they were legal tenders as originally issued.

The silver dollars coined under the act of 1878 and the Treasury notes issued under the act of 1890 were not full legal tenders, but only legal tenders "except where otherwise expressly stipulated in the contract."

The silver certificates issued under the act of 1878 were only legal tenders in the payment of debts due the Government, but not for the payment of private debt.

The exception to the greenbacks being full legal tender was placed upon the statutes by the conspiracy of the bankers and gold owners.

It is evident that the exception to the silver dollars and the Treasury notes being full legal tenders was placed in the acts by the bankers, gold owners, and creditors, the class who write their contracts payable in gold dollars of 25.8 grains of gold.

The way to preserve the parity of value of all forms of money issued or coined is to repeal the discriminations against the greenbacks, the Treasury notes, the silver certificates, and silver dollars, and place them on an equality with gold before the law as solvents of debt.

Let Congress pass a law bestowing upon them the full legal-tender value, and it will be soon seen that this value makes them as valuable in use as gold coin, even if the gold coin is supposed to have an intrinsic value that they do not have.

When the greenbacks, Treasury notes, silver certificates, and silver dollars are made full legal tenders in the payment of all debts, public and private, they will be solvents of debt throughout the United States for 100 cents on the dollar, and that is all the value the gold dollar can have as a solvent of debt.

But when the Government, under the domination and dictation of the money power, persists in conferring the full value of 100 cents legal tender upon the gold coin, and so legislates that it forces silver to rely upon its metal value by limiting the legal-tender value given it, it is absurd for it to obligate itself to maintain the parity that it has destroyed. An analysis of the clause "except where otherwise expressly stipulated in the contract," discloses that the Government has placed itself in the position of giving silver the full legal-tender value of 100 cents as a solvent of debt and forcing everyone to accept it at that valuation unless they have exercised the privilege conferred

of contracting that they should be paid in gold dollars. It was the right to exercise this privilege that the money power forced the Government to give them, and by its terms and the exercise of the precaution they keep anyone from paying any debt that may be due them with silver, silver certificates, or Treasury notes.

It is not possible in the conduct of their business for them to collect their debts in gold dollars, and they are forced to accept payment in the other legal tenders. They then have the effrontery, since they can not secure the full advantage of the favoritism of the Government, to insist—though silver, silver certificates, and Treasury notes have been issued in such a manner that they can disparage them—that the Government must obligate itself to maintain their value with the gold dollar by the arrangement that they may exchange them at the Treasury for gold dollars, and thereby escape the loss that they have forced upon themselves by depreciating the circulating currency of the people. And notwithstanding they influence the Government to so issue them that they can and do disparage their values, they yet have the influence to force it to protect them from the loss that the impracticability of their scheme forces on them.

The judicial department of the Government has come to their assistance and held that they had the right to collect their debts in gold dollars of 25.8 grains, nine-tenths fine, or their equivalent, if the party was forced to pay in any of the other legal tenders.

The clause "except when otherwise expressly stipulated in the contract" does not apply to the greenbacks, and that is one of the reasons why they forced the creation of the gold-reserve fund, so that if they were paid in greenbacks, as the debtors had the right to do, they could exchange the greenbacks for gold and thereby save themselves from the loss they might suffer because the greenbacks were not legal tenders for the payment of import dues. But under the decision of the Supreme Court they have not needed the gold reserve to protect them from loss by payments in greenbacks.

This judicial abuse of an unwise if not corrupt law, carrying the intendment further than Congress contemplated when it was so amenable to the money power, destroys not only the parity between gold and the other money of the country in all private contracts, but has had its influence in inducing the Government officials to make the same discrimination against the Government, under the plea of preserving its credit.

Senator Morgan, of Alabama, criticised this decision of the judiciary in the statement that if a person refused to pay in gold coin and forced a judgment to be rendered against him it would read in dollars and cents, and that as it was then a debt collectible by the machinery of the law, and by the law silver, greenbacks, and Treasury notes were legal tenders in payment of both public and private debts, the courts should not refuse to receive them in satisfaction of said judgment.

The favoritism of Congress to the creditors and the money lenders that enabled them to so arrange their contracts that they can refuse to receive silver certificates, Treasury notes, and silver dollars, and which in effect has been judicially legislated by the Supreme Court to also include the greenbacks, is taken advantage of, and they write all their bonds and obligations payable in gold dollars of 25.8 grains, nine-tenths fine, or their equivalent.

This is an undue and criminal advantage, but instead of Congress conferring the full legal-tender value upon the other moneys and

thereby nullifying the decision of the Supreme Court, it has now, in the act of March 14, 1900, legalized that decision.

Therefore for years past, in private contracts, in the issue of corporation, city, county, State, and United States bonds, the financiers have refused in many instances to lend money unless they were allowed to discriminate against all other kinds of money by making the contract payable in gold coin or its equivalent. Under the construction given the clause to maintain the parity of the two metals it has been insisted that the Government should make the same discrimination.

This has been done, notwithstanding there was no authority for such action, and its practice has destroyed the parity of value between the various moneys that had been so successfully maintained from 1878 to 1890.

The Government in its absurd and idiotic attempts to preserve the parity by discriminating in favor of gold took action that could only end in completely destroying the parity.

The first section of the act attempts to legalize this discrimination by making the gold dollar the standard unit of value (whatever that may mean), thereby making all other money issued or coined redeemable in gold, as is contended. The argument in support of such a contention is best and most intelligently stated by Mr. McCleary in his speech of December 14, 1899 (Congressional Record, vol. 33, No. 25, p. 929), where he said:

In 1792 our fathers provided by law that the standard in this country should be a dollar.

That is too carelessly stated, and led him into the errors he necessarily made. In the act of 1792 our fathers stated that the unit of the money of account should be the "word" dollar, and not the coin dollar either of silver or gold, as Mr. McCleary seemed to think.

Mr. McCleary adds: "This dollar they undertook to embody in two forms, namely, 371¼ grains of pure silver and 24.75 grains of pure gold."

This is still more carelessly stated, and necessarily leads to erroneous conclusions. What our fathers did was to assign a value to this "word" dollar, and they enacted that it should be 371¼ grains of pure silver; and desirous of giving the people the possible use of a larger number of units, it was provided that at the ratio of 1 to 15 gold was equal in value to silver and should be full legal tender. This made both the gold coins and the silver coins standard dollars, dollars of payment, but neither were the standard unit of value, for, as the Supreme Court holds, value is an ideal thing, and any attempt to make the unit of value a concrete substance is absurd.

Mr. McCleary innocently, but ignorantly, states that, "as we have seen people soon ceased to think of the 24.75 grains of gold as the standard, and used as the actual standard of value the 371¼ grains of pure silver," when he meant the standard of payment.

It has heretofore been shown that at the ratio of 1 to 15, silver coins were cheaper than gold coins, and therefore standard dollars of payment were used to pay debts, and gold was used in foreign trade. This is the chief merit of the system, but, because it protects the people from the creditors, it has been changed.

Mr. McCleary says "it is uniformly admitted that from 1792 to 1834 gold coins were at a premium." "At a premium measured in what, Mr. Chairman?" he asks. "A thing can not be longer or shorter,

heavier or lighter, more or less valuable than itself. When spoken of as being 'at a premium' the gold coins could not have been compared with themselves nor with the gold unit of 24.75 grains of pure gold. They must have been compared with something else. That something else, whatever it might be, was the standard. The gold coins were at a premium as compared with the silver unit of 371.25 grains of pure silver; that is, Mr. Chairman, the silver unit of 371.25 grains of pure silver was the actual standard of value in this country from 1792 to 1834."

Mr. McCleary, realizing that the gold coins must have been compared with "something else" to be at a premium, called that "something else" a standard, and because 371¼ grains of silver was made by the act of 1792 the measure of the value of this "something else," he erroneously infers that 371¼ grains of silver was the standard of value, which is an absurdity.

The chapter upon "the money of account" was written to explain this very error, and to show that our financial troubles grew out of its acceptance and the advantage that is taken of it.

The "something else" with which the gold dollar was compared was the abstract idea of value of the unit of the money of account, the "word" dollar. This abstract idea of value is a growth of man's conception of the relative usefulness of all products to each other, and is expressed in some word of his language. The ideal value which has been given the "word" determines how much of any metal should be put into a coin to make it a representative of that abstract value, and as the value of the metal in the coin changes, the coin is either at a discount or a premium, as compared with that ideal value of the "word" as it is used by the people.

Therefore, under a pure system of finance no coin is or ever should be given the name of the "word" which expresses and is the unit or standard of value.

When the coin is given the name of the "word" which expresses the value of the unit, instead of the ideal value of the unit controlling and determining the value of the coin, it is so chained to it that in the course of time the ideal value of the unit is determined by the value of the metal in the coin.

The realization of this change is so slow and so insidious that it is possible by a contraction of the volume of currency, or in any way enhancing the value of the metal and therefore of the coins, to have the people making contracts in dollars of the value of the unit and making payments in the enhanced value of the coin.

The value of the English unit, the "word" pound, is a mental concept—an ideal value—and the sovereign, which is the equivalent of the value of the pound, is above or below par as the value of the metal in the sovereign changes. This country made a mistake when, after making the "word" dollar the unit of the money of account, it gave "the name of dollar" to its coins, but it has heretofore been shown why this was necessary.

The value of the "word" dollar has, therefore, followed the value of 371¼ grains of silver all through the history of the country until the act of 1873; but the protection to the people was that gold coins were standards of payment, and all debts could be and were paid in gold, if it was the cheaper. It is evident that under the first section the attempt has been made to change the unit of the money of account from the "word" dollar to the coin dollar of 25.8 grains of gold, by enacting that it shall be the standard unit of value. This is an

attempt to legislate into the policy and laws of the country the very abuse of the financial system that has been illegally practiced to the advantage of the creditors since 1873, when silver was demonetized, and which Jefferson and Hamilton avoided by so arranging the system that while the unit of the money of account should be the "word" dollar, both the silver and gold coins should only be representatives of that value and standards of payment, but never standards of value.

The first section attempts to take away from the people the protection secured to them in making both the gold and silver coins standards of payment, by the endeavor to substitute therefor the coin dollar of 25.8 grains of gold as the standard unit of value—a financial absurdity.

The second section only professes to deal with the greenbacks and the Treasury notes outstanding, which, on March 1, 1900, were $404,000,000.

This $404,000,000 the act provides shall be redeemed in gold coins of the standard, 25.8 grains nine-tenths fine.

It provides for the gold-reserve fund of $150,000,000 and its replenishment when decreased.

It authorizes the Secretary of the Treasury to set apart $150,000,000 of gold for the purpose of redeeming any of the $404,000,000 of paper money whenever presented.

It provides that this fund, as it is decreased by redeeming the greenbacks and Treasury notes, shall be replenished in the following manner:

First. He shall exchange the notes so redeemed for any gold there may be in the general fund of the Treasury. This appropriates all the gold that may be received into the general fund of the Treasury as fast as received to replenish the gold reserve.

Second. The Secretary is then authorized to exchange these notes for gold coin to be used in replenishing the reserve fund they have just depleted.

Third. The Secretary is authorized to procure gold coin by the use of said redeemed notes in accordance with the provisions of section 3700 of the Revised Statutes, which reads as follows:

> The Secretary of the Treasury may purchase coin with any of the bonds or notes of the United States authorized by law, at such rates and upon such terms as he may deem most advantageous to the public interests.

This last section confers no rights over that given in the previous section if properly construed; but it is so drawn that the bonds issuable under the section may be issued to purchase gold to replenish the gold reserve.

Assuming that the Secretary has the $150,000,000 of gold in the Treasury and that he redeems $150,000,000 of Treasury notes under the first provision, he has only the gold that may be paid into the general fund to continue the redemption, and it is evident that there will not be enough to pay the interest on the bonds and continue the redemption.

Assuming again that he has $150,000,000 of gold which is used to redeem the notes, and that, under the second provision, he sells the redeemed notes for gold, he has made no progress toward redeeming the notes.

Assuming again that under the third provision he has acted under section 3700 of the Revised Statutes and sold bonds for the notes, he has only changed a noninterest-bearing circulating currency for coin

bonds, bearing interest, upon which bank notes can be issued to take the place of the notes.

Assuming again that he is not able under these three provisions to keep the gold reserve at $100,000,000, it is further provided in the second section of the act that it shall be restored to $150,000,000 by the sale of 3 per cent gold bonds, exempt from all taxation, interest payable quarterly and bonds payable one year from date of issue in gold dollars of 25.8 grains. The act provides that the gold coin received from the sale of these bonds shall be turned into the general fund and used to redeem the notes as hereinbefore provided.

It is singularly provided in the last clause of section 2 "that United States notes, when redeemed in accordance with the provisions of this section shall be reissued, but shall be held in the reserve fund until exchanged for gold, as herein provided; and the gold coin and bullion in the reserve fund, together with the redeemed notes held for use as provided in this section, shall at no time exceed the maximum sum of $150,000,000."

It was thought upon reading the above that the word "not" had been typographically omitted between the words "note shall" and "be reissued," and that the sentence should read, "That United States notes when redeemed in accordance with the provisions of this section shall not be reissued, but shall be held in the reserve fund, etc."

Suspicion was aroused by the unnecessary previous provision that "it is further provided that the Secretary of the Treasury may, in his discretion, use these notes in exchange for gold, or to purchase or redeem any bonds of the United States, or for any other lawful purpose the public interest may require, except that they shall not be used to meet deficiencies in the current revenues."

If there is no provision for the retirement and cancellation of the notes, notwithstanding gold bonds may be sold for that purpose, and no law against the reissue of the notes after they are redeemed, but the Secretary is authorized to reissue them for any and all purposes he may deem lawful, it leaves the finances as they were when Mr. Cleveland encouraged the working of the "endless chain" in the interest of the money power.

In the fear of some such chicanery it was deemed advisable to have the act officially examined to ascertain if the omission was a typographical error or designedly left out.

The result of the investigation disclosed that the word "not" was not in the original bill, nor was there at any time a correction of the sentence by its insertion, though the sense of the sentence would demand it. The correction or construction of the section is left to the discretion of the Secretary of the Treasury, and it is feared that the endless chain will again be put into operation.

Section 3 reads as if Congress was afraid that the country would take alarm at what had been done in sections 1 and 2, and in a reassuring strain it reads: "That nothing contained in this act shall be construed to affect the legal-tender quality as now provided by law of the silver dollar or any other money coined or issued by the United States."

Under the construction of the law, as has been shown, neither silver nor any other kind of money can be used to pay a debt if it is stipulated in the contract that payment shall be made in gold dollars, and such assurance as is contained in section 3 only applies to those unfortunates who are forced, as debtors, to agree to pay in gold dollars, and as creditors are willing to receive payment in any money they can get.

It is this favoritism of the Government toward the money faction and its indifference to the interests of the debtors and the people that is the cause of the injustice practiced upon them.

Section 4 amends the method of bookkeeping in the Treasury Department by creating two new divisions, to be known as the division of issue and the division of redemption, but it does not appear that any provision is made under this section for the cancellation and retirement of any of the notes. So far as the section can be understood, it appears to be a provision for a department to keep a true record of the issues and redemptions that may take place.

It is understood to be merely a bookkeeping record of the many changes that will necessarily be made.

Section 5 of the act undertakes to assist the gold reserve in the provision that as fast as standard silver dollars are coined under the acts of July 14, 1890, and June 13, 1898, from the bullion purchased under the act of July 14, 1890, an equal amount of Treasury notes issued under that law in the purchase of the silver shall be retired and canceled, and silver certificates shall be issued against the silver dollars so coined.

Section 6 of the act is amendatory or in lieu of section 5193 of the Revised Statutes, which was passed in the interest of the bankers and their clearing houses, as is apparent from its terms, which are as follows:

The Secretary of the Treasury may receive United States notes on deposit without interest from any national banking association in sums not less than $10,000, and issue certificates therefor in such form as he may prescribe, in denominations of not less than $5,000, and payable on demand in United States notes at the place where the deposits were made. The notes so deposited shall not be counted as lawful money reserve of the association, but the certificate issued therefor may be counted as part of its lawful money reserve, and may be accepted in the settlement of clearing-house balances at the places where the deposits were made.

Under section 5193 it is evident that the banks had been enjoying the advantage which necessarily accrued to them by being permitted to contract the volume of the currency to the extent of the notes deposited with the Treasury and receiving in return certificates not less in denominations than $5,000, which, as legal reserves and in the use of settling clearing-house balances, was used by them as money.

Section 6, which repeals section 5193 of the Revised Statutes, provides that whenever the gold reserve is not less than $100,000,000 the Secretary of the Treasury is to receive deposits of gold coin in sums not less than $20 and to issue gold certificates therefor in denominations not less than $20, and the coin so received shall be held to redeem said certificates. The certificates are made receivable for customs, taxes, and all public dues, and may be counted by banks as part of their lawful reserve; that one-fourth of such certificates shall be in denominations of $50, and that the Secretary may in his discretion issue such certificates in denominations of $10,000, payable to order.

This section, it is evident, makes arrangement for the banks, when the money of the country is all redeemable in gold, to gather up such amounts of gold as is to their interests or subserves their purpose and deposit it in the United States Treasury. As long as it is in the Treasury and held as a sacred fund to redeem the certificates of deposits it is a contraction of the volume of the currency; but this contraction does not affect the bankers, for the certificates given them are made receivable for the payment of customs, taxes, public dues, and may be counted as part of their lawful reserves and can be used by them in paying clearing-house balances.

There is no limit to the amount of gold that can be taken out of circulation so far as the people are concerned, and yet the certificates issued in its place can be used as money by the bankers.

It is possible for the banks by concerted action to retire into the vaults of the Treasury such an amount of the money of final redemption that, by calling for the payment of all debts and credit in gold, they will be enabled to precipitate a panic that would destroy one-half of all the values of the country. In the adjustment and recovery it would turn out that the conscious manipulators of the panic had doubled and trebled their fortunes, and thus are the large fortunes of certain classes made larger still.

It is evident that this is done by Congressional assistance through the manipulation of legal-tender value which it should hold in trust for the benefit of the people. But instead of doing so it has in this bill conferred all this value of legal tender upon the owners of gold, and after forcing the people to pay the gold owners this value of legal tender, it, by this section, enables and assists the bankers to take the legal-tender gold out of circulation and by locking it up in the Treasury deprive the people of its use while the bankers enjoy the use of the certificates which, while not legal tenders, are endowed with such qualities as enable them to serve all the uses the bankers have for them.

This is a queer use to make of the Treasury, and it looks more like Congressmen were the representatives of the banks than of the constituency who elect them.

Section 7 of the act provides that 10 per cent of the total volume of all silver certificates hereafter issued shall be, in the discretion of the Secretary of the Treasury, of the denominations of $20, $50, and $100, and the balance, 90 per cent, in $10 and under; that outstanding silver certificates of a higher denomination than $10 shall, whenever received at the Treasury, or redeemed, be retired and canceled, and certificates of $10 or less be issued in their stead; and after such substitution, in whole or in part, a like volume of United States notes of less denominations than $10 shall from time to time be retired and canceled, and notes of denominations of $10 and upward shall be issued in substitution therefor, with like qualities and restrictions as those retired and canceled.

This indicates that our finances are being patterned after those of England and that silver certificates and silver are to be our circulating currency in all the denominations under $10, and at an early day restricted in its legal tender to that amount.

Section 8 provides for the coinage of silver purchased under the act of 1890 into subsidiary coins until the total outstanding is not more than $100,000,000, and that, as the subsidiary silver coins are issued, an equal amount of Treasury notes issued under the act of 1890 shall be canceled and retired and not reissued.

Section 9 of the act authorizes the recoinage of all the worn and uncurrent subsidiary silver coins now or hereafter received into the Treasury.

These nine sections of the act, as is apparent, were prepared to fasten gold, as money of final redemption, upon the country, with silver as subsidiary currency, and to get some of the paper money out of circulation. The other sections are prepared in the interests of the banks, as will presently be shown.

It is evident from so much of the act as has been considered that,

under an honest construction of its terms, the greenbacks will be retired into the Treasury, and only an equal amount of 3 per cent gold bonds issued.

It is equally evident, under an honest construction of the act, that the Treasury notes will be retired and canceled under sections 5 and 8, and that silver certificates will be issued in their stead, except for such as are canceled under section 8.

It appears that there is about $93,000,000 of these Treasury notes outstanding. Assuming that $43,000,000 of subsidiary silver coins will be issued under section 8, it would leave $50,000,000 silver certificates to be issued in the place of the retired and canceled Treasury notes.

These, added to the silver certificates issued under the act of 1878, would make a total of about $450,000,000 in circulation.

The law of 1878, it will be remembered, did not obligate the Government to maintain the parity of the two metals, as the law of 1890 did, and though under Mr. Harrison's Administration the Treasury notes were redeemed in gold, and under Mr. Cleveland's Administration both the greenbacks and the Treasury notes were paid in gold, yet even Mr. Cleveland's Administration, as his Secretary of the Treasury testified before a committee of Congress, never redeemed any of the silver certificates issued under the act of 1878 in gold.

The reason this distinction was made was because the act of 1890 obligated the Government "to maintain the parity," while the act of 1878 did not.

The present act of March 14, 1900, while it does not in its terms refer to the silver certificates issued under the Bland bill, nor the silver dollars in circulation, yet does in the first section obligate the Government to maintain all forms of money issued or coined by the United States at a parity of value with the standard adopted of 25.8 grains of gold, and makes it the duty of the Secretary of the Treasury to maintain such parity.

Under the Bland law and the act of 1900 it is provided for the indefinite reissue, and the reissue in the discretion of the Secretary for a lawful purpose, respectively, of these certificates.

Is it possible that Congress has legalized the "endless chain" which Mr. Cleveland worked so successfully?

Is it possible that the Government, in the effort to maintain the parity of all money with the gold dollar, is going to encourage the conspirators, if they should present the silver certificates, silver dollars, and bank notes for payment in gold, by acceding to their demand?

If so, there will be no limit to the amount of bonds that may be issued; for if Mr. Cleveland issued as many as he did in violation of law, no one can predict how many will be issued by a Republican Administration, since Congress, in its desire to serve the money power, has made it legal.

That the bill was framed with such a purpose is clearly evidenced from the testimony of Secretary Lyman Gage before a Congressional committee that was considering a bill prepared by him at a previous session of Congress, and very similar in its provisions to the act of March 14, 1900.

The bill prepared by Mr. Gage obligated the Government, as does the act of March 14, 1900, to maintain the parity of all the money issued by authority of the United States with 25.8 grains of gold, the standard unit of value.

In answer to a question of Congressman Brosius, "What kind of demand obligations will the people have to present to the Treasury to get their gold?" Mr. Gage answered:

They will have $146,000,000 of greenbacks. [His bill had made provision to cancel or retire $200,000,000 of the greenbacks.]

They will have $100,000,000 or more of Treasury notes, and they will have $450,000,000 of national-bank notes. * * *

The ability of the Government of the United States to maintain the parity between the different forms of its moneys outstanding depends upon its ability to control gold. So far as it can reduce the obligations that are outstanding, so far it increases its strength to take care of those that are out.

Mr. BROSIUS. Then the duty that we have undertaken, to maintain the parity of gold and silver and all of our money, requires that the people are afforded some means of getting gold with the other money?

Secretary GAGE. The means are open, as I look at it.

Mr. BROSIUS. Are there any means left after the demand obligations of the Government are taken out of circulation?

Secretary GAGE. Yes, sir; there would be if they were all out.

Mr. BROSIUS. What way?

Secretary GAGE. The way would be for the people to present their obligations to the national banks.

Mr. BROSIUS. They would comply with the law if they redeemed in silver.

Secretary GAGE. They would; now you have struck the point. You think that when the Government's demand obligations are out it will have no function in maintaining parity. It will have about all the function it wants to perform in keeping $560,000,000 in silver money of the United States on a parity.

Mr. BROSIUS. How?

Secretary GAGE. By exchanging gold for it.

Mr. BROSIUS. A gold reserve would have to be provided for that purpose?

Secretary GAGE. I think so.

Mr. PRINCE. How many million dollars will the bank circulation reach at the same time?

Secretary GAGE. I think it will be something like $500,000,000.

Mr. COX. If a person should take a bundle of bank notes to the bank, and it should refuse to redeem them in gold, is it not provided under your bill that the person can present those bank notes to the Government and receive gold?

Secretary GAGE. Yes; he could send to the Government and get those notes redeemed.

But the Government is not redeeming those notes on its own account. It is redeeming them on account of the bank, and the bank would have to reimburse the Government.

Mr. COX. Certainly, and in gold.

Secretary GAGE. No, sir; in greenbacks, Treasury notes, gold, or silver, I think, would be sufficient.

Mr. COX. Then the Government, you think, to maintain the parity, must redeem the bank notes in gold, but the bank which receives from the Government the privilege of banking can reimburse the Government in any kind of money?

Secretary GAGE. Whose fault is that? That is the situation the Government is in, and going deeper does not get it out.

Mr. JOHNSON. What law is there to require the Government to redeem national-bank notes in gold?

Secretary GAGE. There is no law, but we have to redeem them in lawful money. We have to redeem them in something, and if it was so that a holder of these notes could go to another window and secure gold it would substantially be as Mr. Cox says.

Mr. PRINCE. You say that the demand obligations of the Government and the bank notes amount to $1,230,000,000, and that if the banks do not redeem their notes in gold the Government would have to make provision to redeem this amount in gold?

Secretary GAGE. Yes, sir; until it wound up the banks and reimbursed itself.

The inherent and unblushing rascality of such favoritism to the banks and such imposition upon the Treasury aroused the indignation of even the Massachusetts financier, the Hon. J. H. Walker, who had introduced a bill to give the banks the right to issue all the money of the country, claiming that it was a natural right that especially

belonged to them. But, though he contended that the banks had the natural if not sole right to supply the money of the country, he had the decency and the patriotism to provide in his bill that the banking could be conducted without having to deposit bonds with the Government, and thereby made provision for the payment of the Government debt.

He also had the decency and the patriotism to contend and provide in his bill that, since the banks secured the sole privilege of banking, and thereby acquired all the value of legal tender, they should be made to preserve the parity of value of the various money in circulation with the gold dollar, and relieve the Treasury of that senseless and criminal obligation.

So intense and so persistent was Mr. Walker in the advocacy of his bill, and so antagonistic and so denunciatory of the plans and schemes of the conspirators was he, that nothwithstanding he was one of them in the desire and determination to go to the single gold standard, they defeated him for reelection for Congress because he honestly contended that the debt of the Government should be paid and the Treasury relieved of the senseless burden of maintaining the parity of all the issues of money.

Applying the above principles of the Secretary of the Treasury to the act of March 14, 1900, it is evident that the Government will find no relief in its Treasury Department until it has canceled and retired the greenbacks, the Treasury notes, the silver certificates, and the silver dollars.

To do this it is equally evident that it will have to issue bonds to the total of all these issues.

But now that does not give relief under the act of 1890, for there is no provision in said act to cancel and retire said money as it is redeemed.

Provision is made in said act for the redeemed money to be reissued, because the people need a circulating currency with which to conduct business, and therefore, as this redeemed money is hypocritically reissued to supply the people, it will be again and again gathered up by the conspirators and presented for gold. This will necessitate the sale of bonds to secure the gold, and as the endless chain works the legal-tender value of the redeemed currency will be crystallized into bonds until the conspirators have invested all their surplus capital, when the country will be allowed to rest until a future surplus demands similar safe investments.

Though Secretary Gage realized that this was possible, he contended that it is not practicable, because the currency will be so scarce and so incessantly used that the conspirators will not be able to secure it. In the fear that his contention would be correct, the bill was so drawn that the banks could issue notes without limit, and with these as additional abstractors of the gold from the Treasury it could not be protected even if the people by their incessant use of the other currency partially protected it.

The practical workings of the bill, under the manipulations of the conspirators, will cause two or more billions of 2 per cent gold bonds to be issued in a few years, and the effort to stop the issue of bonds will force a call for the cancellation and retirement of all forms of currency except gold and bank notes.

The above is substantiated by the terms of two bills now—January 21, 1900—pending before Congress.

The first is a bill to maintain the legal-tender silver dollar at parity

with gold. By the terms of this bill the Secretary is authorized "to exchange gold for legal-tender silver dollars when presented to the Treasury in sums of $5 or any multiple thereof, and all provisions of law for the maintenance of the reserve fund in the Treasury relating to United States notes are hereby made applicable to the exchange of silver dollars."

The second is a bill authorizing the Secretary of the Treasury to exchange gold coin for any pieces of money coined by the United States.

This includes and refers to the greenbacks, Treasury notes, silver certificates, and bank notes. By the second section of the bill the Secretary is given authority to sell 2 per cent gold bonds in any amount that may be necessary to secure enough gold to keep the reserve fund at $150,000,000, however heavy the raids that may be made upon it.

If these two bills are passed by Congress, as they will be, it is evident that 2 per cent gold bonds will be issued in the sums of the silver, greenbacks, Treasury notes, and silver certificates that may be in circulation, even if they were canceled and retired from circulation. But they will not be canceled and retired. They will be reissued again and again, and as they are presented for redemption in gold there is no limit to the bonds that may be issued under the operation of the legalized endless chain.

It is hoped that if such a construction is sought to be given the act of March 14, 1900, assisted by the two enabling acts now before Congress, that there may be officials in office who will at least follow the example of France and protect the gold reserve by the "defensive premium," if they do not realize that silver is as much money of final redemption as gold, and that silver certificates equally with gold certificates are representative of money of final redemption.

It is hoped that the "defensive premium" will be introduced into the financial policy of the Government to protect the gold reserve, though Mr. Hill has no sanguine expectation of such conduct, as is evident from the following quotation from his speech in the Fifty-sixth Congress, March 14, 1900, vol. 33, page 3037:

> There is neither reason nor sense in this Government saying to all mankind, as it practically has been doing, that it will hold itself ready to furnish gold or silver to whoever may want it and to any amount, without any power to control the demand by interest rate or brokerage charge, as a bank would do, and as the banks of all Europe have always done. * * *

This country is as much entitled to the use of the "defensive premium" under its unscientific system as the countries of Europe are under a similar system.

To fail to exercise that right in its behalf only shows that the Administration is in the hands of the conspirators whose purpose, manifestly, is to issue a large amount of bonds and force a condition that will demand the retirement of all other kinds of money in order that bank notes may have the exclusive circulation as aids to the single gold standard.

STATEMENT OF W. J. BRYAN.

FEBRUARY 4, 1901.

Hon. J. H. SOUTHARD,
Chairman House Committee on Coinage,
Weights, and Measures, Washington, D. C.

DEAR SIR: In response to your telegraphic invitation to appear before the committee during the hearings, I wired you that it would be inconvenient for me to visit Washington, but that I would be pleased to submit my views in writing if you would send me a copy of the bill under consideration. I am now in receipt of your favor inclosing a copy of the Hill bill as amended by your committee, and saying that by unanimous consent it was ordered that such views as I might present in reference to the proposed legislation be printed as a part of the hearing.

Thanking your committee for the courtesy which it has shown me, I beg to submit the following:

The bill has a double purpose: First, to convert standard silver dollars into subsidiary coin, and, second, to make silver dollars redeemable in gold on demand. In discussing the subject, however, it will be more logical to consider the latter proposition first, as redemption is only a step toward retirement.

There is no necessity for redemption. The legal-tender law will maintain the parity between gold coin and silver dollars so long as both can be used to an unlimited extent in the payment of public revenues and private debts. I should, perhaps, say that the parity will be substantially maintained, for local and temporary conditions may under any law put a small premium upon any kind of money. For instance, in the summer of 1893 a local demand for small change made a premium on silver dollars in New York during the debate on the bill to repeal the purchasing clause of the Sherman law. In support of the statement above made in regard to the effect of legal tender in maintaining the parity, I cite the testimony given by Senator Sherman before a Senate committee in 1878. The following is taken from the published hearings:

"Senator BAYARD. By the 1st of July next or the 1st of January next you have eighteen or twenty millions of silver dollars which are in circulation and payable for duties, and how long do you suppose this short supply of silver and your control of it by your coinage will keep it equivalent to gold when one is worth 10 cents less than the other?

"Secretary SHERMAN. Just so long as it can be used for anything that gold is used for. It will be worth in this country the par of gold until it becomes so abundant and bulky that people will become tired of carrying it about; but in our country that can be avoided by depositing it for coin certificates."

As soon as the silver dollar is made redeemable in gold another endless chain will be created, and the arguments used against the greenbacks and Treasury notes will then be turned against silver.

Before the attempt to burden the gold reserve with this new obligation is consummated it may be worth while to consider the opinion expressed by Secretary Carlisle in 1895. In the published hearings before the House Appropriation Committee the following question and answer will be found:

"Mr. SIBLEY. I would like to ask you (perhaps not entirely connected with the matter under discussion) what objection there could be to having the option of redeeming either in silver or gold lie with the Treasury instead of the note holder?

"Secretary CARLISLE. If that policy had been adopted at the beginning of resumption—and I am not saying this for the purpose of criticising the action of any of my predecessors, or anybody else—but if the policy of reserving to the Government, at the beginning of resumption, the option of redeeming in gold or silver all its paper presented, I believe it would have worked beneficially and there would have been no trouble growing out of it; but the Secretaries of the Treasury from the beginning of resumption have pursued a policy of redeeming in gold or silver, at the option of the holder of the paper, and if any Secretary had afterwards attempted to change that policy and forced silver upon a man who wanted gold, or gold upon a man who wanted silver, and especially if he had made that attempt at such a critical period as we have had in the last two years, my judgment is it would have been very disastrous. There is a vast difference between establishing a policy at the beginning and reversing a policy after it has been long established, and especially after the situation has been changed."

It will be seen that Mr. Carlisle thought it a mistake to commence paying in gold, but considered it dangerous to interfere with the custom after it was once established. By the same logic it can be argued that we should not establish the custom of redeeming the silver dollars in gold.

The measure recommended by the committee gives to the financiers absolute control over the national debt. They can increase it at any time by presenting silver dollars for redemption and compelling an issue of bonds to replenish the gold reserve. They can in the same way contract the volume of money in circulation, since money drawn into the Treasury by an issue of bonds can not go out again unless it is used to meet current expenses (and that is only possible when the expenditures exceed the receipts) or loaned out to favorite banks.

Second. The conversion of standard silver dollars into subsidiary coin is equivalent to the retirement of silver as standard money, and this is the last act in the programme instituted some twenty-seven years ago and persistently pursued ever since. If this plan is completed, gold will be the only legal-tender money and bank paper the only credit money. Bank notes not being a general legal tender and gold not being in circulation among the people, the masses will be doing their business with money which will not legally discharge their debts.

To convert a standard money into a credit money is to narrow the foundations of our financial system and at the same time enlarge the superstructure. Such a course weakens the system and both hastens catastrophe and intensifies it when it comes.

It is estimated that 95 per cent of the business of the country is done with substitutes for money, but as all these substitutes are convertible into money on demand there must be a proportion between the substitutes and the money beyond which it is not safe to go. If, as at present, a large part of the money in circulation is not a legal tender, the proportion between the volume of legal-tender money and substitutes for money is even greater.

The proposed measure, by decreasing the money of ultimate redemp-

tion and increasing the volume of promises to pay money, still further enlarges the proportion between money and its substitutes. This necessarily adds to the risk of the business man and lessens the security of the general public.

If at any time foreign complications or panics compel a considerable exportation of gold, the proportion between money and its substitutes will be still further increased or an immense reduction will be necessary in the volume of business.

Respectfully, yours, W. J. BRYAN.

STATEMENT OF MR. HILL.

The gist of Mr. Bryan's criticism on the policy of making silver dollars exchangeable with gold is that it will thereby reduce the volume of money of ultimate redemption and increase the amount of promises to pay money. His argument is ten years old, and, though never sound, has now lost whatever force it ever had, by reason of the fact that in those ten years there have been five hundred millions of gold added to the monetary stock of the United States, and that there is now an almost absolute certainty of a still greater increase in the future.

By two emphatic votes this country has declared that its measure of value shall be the gold dollar, and in accordance therewith the law of March 14, 1900, made it the duty of the Secretary of the Treasury to maintain all other forms of money at parity with gold, not "*substantially maintained*," except under "*local and temporary conditions*" which, Mr. Bryan admits, "*may put a small premium upon any kind of money*," but at a parity or exact equality.

In the case of the greenback this has been done by making it exchangeable with gold at the will of the holder. Under this law the silver dollar stands alone, dependent upon its intrinsic value, and the legal-tender quality adds no more to it than it does to the greenback. If it is necessary to make the one, which is all promise, exchangeable for gold, it is half as necessary to make the other, which is half promise, and worth but 50 cents in gold.

Mr. Bryan says it will "*burden the gold reserve with new obligations.*" Not so; for this was done when the silver dollars were coined and three hundred millions of shrinkage and promise were assumed by the Treasury, so that when we made it a legal tender for more than its value the Government was in honor bound to accept it in lieu of gold, and not to do it would be repudiation.

It is no excuse that we have issued more silver promises than we can easily meet, and that the gold reserve can not carry the added burden. Least of all can such an excuse be made while we are continuing to coin a million and a half a month.

We must pay these promises whether we will or not, for they can be forced back upon the Treasury through the custom-houses and in payment of public dues, and the only question is whether we will prepare *now in prosperity* for such forced redemption which will surely come when, as Mr. Bryan says, "*foreign complications or panics compel a considerable exportation of gold.*" He might have added, hoarding of gold as in 1893, when the fear of the payment of Government obligations in silver precipitated a panic.

In view of Congressman Levy's statement to the Coinage Committee that Mr. Bryan told him in the last campaign "*that if elected to the Presidency he would find a way to pay in silver*," it would seem wise now to make that silver as good as gold, and to that end to amend the law so that it will be exchangeable with gold at the will of the holder. At the same time that the bill does this, it proposes to stop the further increase of silver promises to pay and ultimately to decrease the burden by changing them into subsidiary coin, as Germany is doing. In other words, it recognizes the danger and prepares for it; Mr. Bryan recognizes it and refuses to do so. Which is the wiser course?

It is not the legal-tender quality which makes fifty cents' worth of silver stamped as a dollar the present and temporary equivalent of one dollar's worth of gold, but only the willingness of the people to accept it as such, and if, for any reason, that confidence is shaken, disparity will soon be shown. The purpose of the bill is to make that confidence absolute by declaring that every dollar which the Government makes a legal tender shall be exchangeable for any other at the will of the person who is forced by law to receive it.

There are 500,000,000 silver dollars outstanding now. This is the people's money. If it is dangerous to make it exchangeable for gold; the volume should be reduced, and while that process is going on, common prudence, and common honesty, too, demand that the people should be protected from any possible harm. The bank reserves are gold, and greenbacks exchangeable for gold. The money of the people should be equally good.

MR. COCHRAN'S REPLY TO MR. HILL.

In reply to Mr. Hill's rejoinder to the letter from Mr. Bryan, I submit:

1. The statement that at two elections "this country has declared that its measure of value shall be the gold standard" is absolutely without foundation. The Republicans have declared that they favor maintaining the gold standard until bimetallism can be secured by international agreement. They have never disclaimed their platform declaration of 1892 to the effect that, guided by interest and tradition, the people of this country favor the use of silver and gold as standard money.

2. The period of depression resulting from the "object lesson" given to the country by the Eastern bankers in 1893–1894–1895 was probably a severer test of the question presented—i. e., does the fact that the silver dollar is, equally with gold, a legal tender for all debts, public and private, guarantee the maintenance of a parity with gold—than is likely to again arise. During that period only greenbacks and Sherman bill notes were recognized as gold obligations, and yet silver not only maintained equality with gold but commanded a premium. It was acceptable as money, and the people eagerly received it. It was not available as a means of raiding the Treasury, but this did not cause it to lose equality with gold; therefore past experience assures us that no legislation is necessary to the maintenance of the parity.

3. Had the silver dollar been accepted as a sight draft against the gold reserve in 1893–1894–1895 the result would have been far greater inroads by the bankers, who made thirty millions by drawing gold out

of the Treasury and then returning it in payment for the bonds issued from time to time as the gold reserve needed replenishment. Therefore the passage of this bill, which is manifestly unnecessary to the maintenance of the parity, would have one effect only. In periods of stringency, during which, usually, there is a demand for gold for export, it would strengthen the hands of the Treasury raiders, enable the syndicate bankers to force bond issues, upon the false pretense that public faith is imperiled, and, in general, repeat the deals by which the scandalous and criminal Cleveland-Carlisle-Morgan conspiracy so ruthlessly robbed the public for the benefit of a coterie of public plunderers seven or eight years ago.

I therefore regard Mr. Bryan's succinct statement of the case as unassailable.

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